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Official Report of Debates (Hansard)

Tuesday 4 November 2014

Journal des débats (Hansard)

Mardi 4 novembre 2014

**Standing Committee on
Estimates**

Ministry of Community
and Social Services

**Comité permanent des
budgets des dépenses**

Ministère des Services sociaux
et communautaires

Chair: Cindy Forster
Clerk: Katch Koch

Présidente : Cindy Forster
Greffier : Katch Koch

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 4 November 2014

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*The committee met at 0901 in room 151.*MINISTRY OF COMMUNITY
AND SOCIAL SERVICES

The Vice-Chair (Miss Monique Taylor): Is everybody ready to begin?

Interjections: Yes.

The Vice-Chair (Miss Monique Taylor): The committee is about to begin consideration of the estimates of the Ministry of Community and Social Services for a total of five hours.

As we have some new members, a new ministry and a new minister before the committee, I would like to take this opportunity to remind everyone that the purpose of the estimates committee is for members of the Legislature to determine if the government is spending money appropriately, wisely and effectively in the delivery of services intended.

I would also like to remind everyone that the estimates process has always worked well with a give-and-take approach. On one hand, members of the committee take care to keep their questions relevant to the estimates of the ministry, and the ministry, for its part, demonstrates openness in providing information requested by the committee.

As Vice-Chair, I will stay consistent with the Chair's practice of allowing members to ask a wide range of questions pertaining to the estimates before the committee to ensure they are confident that the ministry will spend those dollars appropriately.

In the past, members have asked questions about the delivery of similar programs in previous fiscal years, about the policy framework that supports a ministry's approach to a problem or to service delivery, or about the competence of the ministry to spend money wisely and efficiently. However, it must be noted that the onus is on the member asking the questions to make the questioning relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Any questions before we start?

I'm now required to call vote 701, which sets the review process in motion. We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and 30 minutes by the third party. Then the minister will have 30 minutes for a reply. The remaining time will be apportioned equally amongst the three parties.

Minister, the floor is yours.

Hon. Helena Jaczek: Thank you so much, Madam Chair. I would like to start off by introducing those with me at the table. We have Bohodar Rubashevsky, acting deputy minister; Erin Hannah, acting assistant deputy minister for social policy development; and Karen Chan, assistant deputy minister for community and developmental services.

I'm certainly pleased to be here today to speak to the commitment that our government has made to support vulnerable Ontarians through the work done by the Ministry of Community and Social Services. Our government is committed to improving fairness in Ontario and remaining fiscally responsible, while making sure people in need are able to participate fully in our communities and economy.

With this agenda in mind, we will build on our work since 2003, and especially over the past two budgets, to make significant investments into programs that serve some of Ontario's most vulnerable people.

We know that better access to jobs for the most vulnerable will help build a fairer society and a more prosperous economy. Giving those at the low end of the income scale a boost means more money spent in communities, more jobs created and greater gains to the economy as a whole.

Through our social assistance programs, the Ontario Disability Support Program and Ontario Works, through programs for people with developmental disabilities, the work of the Family Responsibility Office, as well as our community programs supporting violence against women shelters, intervenor services for people who are deaf-blind, and services provided by the aboriginal healing and wellness strategy, the Ministry of Community and Social Services impacts the lives of hundreds of thousands of Ontario families each year.

For more than a decade, our government has committed to treating people with compassion and dignity. We have strengthened critical services and made them

easier for people to access help while taking steps to streamline our programs and reduce unnecessary duplication.

Ours is a ministry of partnership. We need involvement of our partners from other ministries, municipalities, First Nations, organizations and community agencies. Our communities grow and prosper when all of our citizens can contribute. While we have made strides in all of these areas, we continue to modify these services according to our long-term goal of improved services and outcomes for those who access our programs while providing the best possible value to Ontario taxpayers.

Turning first to our social assistance programs, the Premier has tasked me with the long-term transformation of the social assistance system with a priority on increasing fairness and remaining fiscally responsible, while making sure people in need are fully able to participate in our communities and economy.

Social assistance affects more than 900,000 people every day, each of them with their own unique needs. We currently have more than 447,000 beneficiaries in the Ontario Disability Support Program and about 451,000 in Ontario Works. We aim to build relationships between caseworkers and clients that are based on trust and collaboration.

In 1995, social assistance rates for Ontario Works recipients were cut by 22% and then frozen for eight years. Rates for people with disabilities were also frozen for eight years. Since 2003, our government has increased rates for people with disabilities receiving ODSP and Ontario Works families by 17.2%, and 24.4% for singles without children relying on Ontario Works. In fact, our government has increased social assistance rates every year for the past 10 years.

Our 2014 budget investment continues to raise rates. Single people receiving Ontario Works are getting another \$30 a month, about 5% more. Families receiving Ontario Works are getting a 1% increase; so will people with disabilities who rely on ODSP. There is also a 1% increase for assistance for children with severe disabilities.

Adding this to last year's investments, this means that support for single Ontario Works recipients who do not have children, those identified as having the lowest overall support levels by the commission on social assistance reform, also known as the Lankin-Sheikh report, will have increased by \$50, or about 8%, to \$656 per month, and support for individuals with disabilities receiving ODSP will have increased by 2% to \$1,098 per month. With these increases, we continue to increase consistency and fairness across the system.

Another step is harmonizing rules in both the Ontario Disability Support Program and Ontario Works. In 2013, our government increased asset limits for singles receiving Ontario Works from \$606 to \$2,500 and from \$1,043 to \$5,000 for couples, to bring these asset limits more in line with those in ODSP.

We are also replacing the northern allowance with a new remote communities allowance, so people get an

additional \$50 per month for the first family member and \$25 for each additional family member. The high cost of food, heating and other necessities creates a significant challenge for people in these communities north of the 50th parallel.

Additionally, promoting employment remains a fundamental pillar of the social assistance system. The government believes that all Ontarians, regardless of their economic status or background, should have an equal opportunity to reach their full potential and contribute to the prosperity of the province. Based on the recommendations of the Commission for the Review of Social Assistance in Ontario, we continue to move forward on new policies to promote work, while ensuring that employment services are effective and easy to navigate.

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We began by making work pay for people on social assistance; today, individuals on both programs can earn \$200 in income a month before their assistance is reduced, and earned income over \$200 is subject to a 50% exemption. As a result, more families can get a foothold in the labour market and see a direct impact on their quality of life. We have also made changes so that social assistance clients can keep drug, dental and vision benefits while they are transitioning into work.

With the 2014 budget, we are expanding our efforts to include reforming employment benefits for social assistance recipients. Starting next spring, clients will have access to a simple, flexible, employment-related benefit that focuses less on rules and more on outcomes. This new benefit is directly linked to individual employment plans and aimed at reducing barriers to work by helping with the actual costs of training and starting work. It will treat Ontario Works recipients and non-disabled members of ODSP similarly by offering them access to the same maximum amount of support per year, while making a higher amount available to people with disabilities on ODSP, recognizing the greater challenges they face in both entering and staying in the labour market.

These changes will promote greater independence by improving incomes, encouraging work, and enhancing access to core supports such as health benefits outside the social assistance system. We are already working with municipal partners and a broad range of stakeholders to set priorities and work through the choices required to continue to move ahead with social assistance reform.

The areas we are examining include: determining how best to support transition into employment where possible; opportunities to use technology to improve service delivery; providing supports outside of social assistance; and aligning our work with broader government-wide priorities such as poverty reduction. We are also seeking separate discussions with First Nations, including leadership, delivery partners and clients, to ensure that their needs are properly understood and appropriately addressed.

Over the long term, we envision an Ontario with a modern income-security system where all low-income Ontarians have access to integrated and effective human

services that will alleviate poverty and enable participation in our economy and communities.

Our multi-year plan for social assistance reform is based on several objectives: encouraging employment by enhancing supports and incentives to work with individual plans tailored to each case; promoting increased independence by improving incomes and providing access to core supports such as drug, dental and vision benefits outside the social assistance system; and improving client services by introducing more self-service online options, so that clients can do more without coming to an office or using the mail.

These objectives will lead us to more fundamental long-term reform and begin to address the challenges identified in the current system, as identified by several reports to our government.

We are mindful of links between social assistance and other government work focused on improving opportunity and fairness for all Ontarians, such as: the Ministry of Training, Colleges and Universities' work on integrating employment and training programs to better align services with client needs; the Ministry of Economic Development, Employment and Infrastructure's work to increase employment opportunities for people with disabilities; and the Ministry of Health and Long-Term Care's Healthy Smiles Ontario program, which offers dental care services to over 460,000 kids from low-income families, including regular cleanings, diagnostics and treatment.

The Ministry of Community and Social Services also knows that improving social assistance isn't only about improving the programs; improving the way we deliver those programs matters as well. This fall, we are launching a new computer system called the Social Assistance Management System, or SAMS. We will use SAMS to administer ODSP and assistance for children with severe disabilities, as well as Ontario Works. It will replace the current social assistance delivery system this month, and over time will be used by approximately 11,000 users in provincial, municipal and First Nations delivery sites.

SAMS is the second phase of our modernization efforts. Two years ago we began the first, with the implementation of the online application for social assistance. A key new feature of SAMS is Social Assistance Online, a secure online self-service tool for clients to fill out forms and make changes to their information which will be available 24 hours a day, seven days a week once implemented by early 2015. Overall, SAMS means better service for clients and better use of staff time.

Our ministry is also planning to introduce reloadable payment cards for social assistance recipients who do not receive their payments by direct bank deposit. The card, similar to a bank debit card, would allow clients to access the social assistance funds through ATMs and make point-of-sale purchases.

Similarly, our ministry is exploring ways to replace the current paper drug benefit card used by social assistance recipients by allowing them to use their provincial health card instead. This would again streamline service

delivery by reducing administrative costs while offering our clients more convenient and better service. Overall, changes to the social assistance system are a priority for my ministry.

This spring, with the 2014 budget, our government placed an emphasis on the transformation of developmental services. Today, our vision is for people with developmental disabilities to be fully included into our communities and to live as independently as possible. We are now assisting some 40,000 individuals and families to get supports in their communities.

Along with our partners across the developmental services sector, we have helped transform developmental services since our government's decision in 2004 to make major changes to the sector. We have closed institutions for people with disabilities, accelerating this process in 2006 and finally closing the last three institutions in 2009. This meant finding placements for the nearly 1,000 people who resided in those facilities.

We have introduced a common assessment tool, which is now being applied through Developmental Services Ontario. This brings long-needed consistency as to who is eligible for service, how they apply and what factors determine support needs.

We have implemented community networks of specialized care that bring specialized supports and clinical expertise closer to home for people with complex needs. We have also created the Passport direct funding program to promote inclusion, independence and choice to support caregivers of adults with a developmental disability. Passport funding gives people with developmental disabilities the option to choose their own supports and services and purchase them directly.

Along with the new direct funding through Passport, which I will address momentarily, we have also updated the expenses allowed under Passport. For example, families can now get respite support.

In 2013-14, we provided more than \$100 million to support more than 16,000 people through Passport. Similarly, the Special Services at Home program, which is administered by my ministry—though the policy direction is provided by the Ministry of Children and Youth Services—this particular program helps families who are caring for a child with a developmental or physical disability to pay for special services.

Demographic trends show us there is considerable diversity in the population we serve. There is not a one-size-fits-all solution. Individuals with complex needs—medical, mental health and behavioural—require more intensive supports and greater integration of service delivery.

There is the reality of an aging population, both in those with developmental disabilities, whose needs are often more complex or require more supports as they age, and in their caregivers, most often parents who support adult children.

We are working to provide choice and flexibility through direct funding within the existing transfer payment agencies and residential services system. We're

investing \$810 million over the next three years to build stronger services and supports for individuals with developmental disabilities and encourage new approaches and partnerships to advance system transformation. This represents the largest single infusion of dollars ever and is a catalyst for change in the sector.

As I stated in my ministerial statement on developmental services last week, we have made tremendous progress since the 2014 budget, notably in extending direct funding. We have already approved new funding for more than 7,900 people and their families, 1,900 through Passport and 6,000 through Special Services at Home. This compares to the 4,300 people who received new direct funding all of last year—almost double already to date this year. Through the investment strategy, we are also providing planning, transition and navigation support to help 4,200 young people map out their futures.

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In the 2014 budget, we have allocated \$200 million over three years to support agencies and front-line workers. This was in recognition that this sector in particular requires a stable workforce of dedicated front-line workers to ensure consistency and care for individuals with developmental disabilities. We are working with employers and bargaining agents to discuss an approach that ensures the significant investment supports a service system for the future while promoting labour stability and a qualified workforce.

We also recognize that more must be done to address housing needs for thousands of individuals and to make our communities more inclusive. The Developmental Services Housing Task Force will help us consider broader, more inclusive housing options for people with developmental disabilities. This will be a multi-year task, collaborating across governments and with community partners to find innovative housing solutions.

Our investment strategy is about building a developmental services system that has the capacity to grow into what this vulnerable population needs for the future. I see workplace opportunities for people with developmental disabilities as the next frontier for true community integration. Our goal is to make meaningful employment in the community the preferred outcome for individuals with developmental disabilities. Our new employment and modernization fund will offer financial support to projects that promote greater inclusion and independence for individuals with developmental disabilities through employment and for projects that increase the efficiency, collaboration and innovation in our service delivery network.

I recognize the need to work across ministries with my cabinet colleagues to properly support people going through transitions in their lives. Indeed, the Premier, in my mandate letter, directed me to both continue the transformation of the developmental services sector and to work with my colleagues to do so. For example, we are working with our partners at the Ministry of Education and the Ministry of Children and Youth Services on a transition planning initiative. A transition plan will help

young people with developmental disabilities completing high school to chart out their futures; as an example, arranging for the appropriate training for future employment. To this end, we are creating new partnerships with school boards to improve transition planning for young adults, and also with the health system to improve care and linkages, particularly for individuals with specialized health needs and those with mental health conditions, and also with the Law Commission of Ontario to strengthen supported decision-making for adults with developmental disabilities. We are also strengthening the very foundation of our developmental services system by bringing consistency to how the system works so that decision-making is fairer, clearer and more transparent.

Created in 2011, the Developmental Services Ontario agencies are relatively new entities. We know that there have been concerns with their service delivery, which is why, together with other partners and the ministry, they have put in place a plan to refine and improve their services, particularly in terms of connecting people with services in their communities. Through the 2014 budget, the ministry has provided resources to hire new assessors to speed up and ensure the consistency of assessments across the province and is working with DSOs to improve their ability to provide information about the system, the application process and other services and supports. In addition, last summer we introduced a provincially consistent process for responding to individuals in urgent need of short-term, time-limited supports.

We have come a long way in the time since our government closed residential institutions for people with developmental disabilities, but I know that the system has a long way to go in order to properly integrate these individuals into our communities. With the 2014 budget investments, we are taking the next step needed to ensure that transformation.

The Ministry of Community and Social Services also holds responsibility for the Family Responsibility Office, known as FRO, which distributes and enforces child and spousal support payments. This means we help families in Ontario get the support payments they are entitled to by enforcing court-ordered support responsibilities. We work to flow payments from the person who pays the support to the person who is entitled to it.

Every year, FRO manages more than 180,000 cases, involving 380,000 clients, including the payers, recipients and third parties, including children. This is truly a massive undertaking.

Last year, FRO collected about \$664 million on behalf of support recipients, processed about 150,000 payments every month and made more than 8,000 court appearances to fight for the funds owed to support recipients across Ontario.

As part of their enforcement efforts, FRO can:

- garnish wages from income sources;
- garnish bank accounts;
- suspend driver's licences and impound vehicles for up to seven days;

- request passport suspensions from the federal government;
- file writs of seizure and sale to affect a default payer's ability to negotiate a mortgage or sell real estate property;
- issue credit bureau warning notices and report payers in default to the credit bureau;
- seize income tax refunds and HST rebates;
- garnish lottery winnings; and
- take defaulting payers to court, which can result in a maximum jail time of up to 180 days.

FRO's client services branch receives approximately 4,500 calls every day, and the interactive voice response system averages 4,100 calls per day. Despite the challenges, FRO has made numerous improvements in client service and enforcement, including implementing a client-focused service delivery model in 2011.

For example, we have virtually eliminated clients hearing a busy signal. Previously, clients calling FRO could have gotten a busy signal up to 80% of the time. Our current rate for busy signals is zero. FRO clients now have a case contact assigned to their case and are able to leave that person a message, any time, night or day. This means that they no longer encounter a call centre where they have to repeat their full story every time they call FRO.

We also introduced the FRO case management system, called FCMS, a new computer system, in April 2013. This has allowed FRO to streamline program delivery and more efficiently manage FRO's caseload. The new computer system allows FRO to provide more timely and consistent case management service to our clients and eliminate many manual processes. This, in turn, allows us to devote more time and resources to effective enforcement. FCMS will also enable us to roll out a securer self-service website for FRO clients called FRO online in spring 2015.

FRO online will allow payers and support recipients to view their case-related information, including their personal information, their obligations, active enforcement actions and case financial information. This capacity is an improvement for our clients and something that, again, will improve case management for FRO's case workers.

We have also implemented a host of other business improvements that are resulting in significant efficiencies. For example, FRO receives almost half a million incoming documents annually, each of which is now processed within 48 hours. In the past, FRO was able to process only half of the documents it received within 30 days of receipt. This means that FRO's staff has access to relevant case information sooner, can enforce faster and can get money to recipients more quickly.

Lastly, we are reviewing FRO's current case management model to identify opportunities to improve enforcement and increase support payment collections. Overall, our work to improve the service that FRO provides to clients continues.

Our 2014 budget also offers new support for my ministry's community service programs. Our violence against women programs offer a continuum of supports to help women and their children escape abuse and rebuild their lives. We deliver community-based emergency shelter services and crisis support services through 96 agencies across Ontario.

These shelters make a difference in the lives of women facing an immediate crisis situation by assisting them with crisis phone counselling, safety planning, information on rights, and referrals to available services. In 2013-14, these emergency shelters served approximately 10,700 women and 7,400 children.

We also fund community-based counselling services delivered by 177 agencies that provide support and referral services for women and their children who have experienced abuse.

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Our transition housing support program, which is delivered by 126 agencies, helps women develop a transition plan that could include securing legal assistance, finding and maintaining housing, and connecting with other community resources.

Our child witness program provides early intervention for children who have witnessed domestic violence.

This year's provincial budget increases our support for these programs by nearly \$14.6 million over the next three years. This represents a 4% increase to the base budget of \$142 million.

Similarly, more than 11,000 people who are deaf, deafened or hard-of-hearing or who are deaf-blind rely on our ministry for interpreter and intervener services. We've improved the intervener services program for people who are deaf-blind by tripling funding since 2004, establishing minimum hours of services and, this year, in partnership with CNIB, we are launching a 24-hour emergency service.

This year's budget increases our support for interpreter and intervener programs by nearly \$8.4 million over the next three years. This includes a 4% increase to the base budget of \$37.3 million and an investment to ensure availability of supports for adults who are deaf-blind, including graduates of the two provincial schools for the deaf-blind.

Lastly, our Aboriginal Healing and Wellness Strategy partners with 14 First Nations and aboriginal groups and is aimed to reduce family violence and improve health through programs that are aboriginal-designed, -delivered and -managed. The strategy supports services on- and off-reserve that include crisis intervention, counselling, health and family violence awareness and education—

The Vice-Chair (Miss Monique Taylor): Minister, you have two minutes left.

Hon. Helena Jaczek: Thank you—and ongoing supports for women, children and families at risk.

In 2012-13, the Aboriginal Healing and Wellness Strategy served more than 18,000 clients through 208 agencies. This year's budget provides a \$2.07-million increase to Aboriginal Healing and Wellness Strategy

programs to support agencies and low-wage workers. This is a 4% increase to the base budget of \$37.8 million.

In conclusion, as a ministry, we will continue to believe in and invest in the abilities of Ontarians to contribute to and build a more prosperous Ontario. The Ministry of Community and Social Services is contributing to building a fairer, healthier province, because the support we offer to vulnerable Ontarians makes them full and active participants in our communities and in our lives. By maintaining the integrity of our programs and modernizing them to ensure their long-term viability, we are protecting them for the people who need our help today and those who will need it tomorrow.

Thank you very much, Madam Chair.

The Vice-Chair (Miss Monique Taylor): Well done on time, Minister.

We'll move over to the official opposition and Mr. Walker.

Mr. Bill Walker: Thank you, Madam Chair. Before I start, thank you very much to MPP Soo Wong for the wonderful delight of breakfast here this morning.

Ms. Soo Wong: I promised, and I deliver on my promises.

Mr. Michael Harris: Hopefully, he doesn't fall asleep.

Mr. Bill Walker: Yes, we were a little concerned that there might have been something in there to put me to sleep, but—

Hon. Helena Jaczek: It would take a lot.

Interjection: We ate from the same pot.

Mr. Bill Walker: Thank you very much, and thank you, Minister. As my colleague alluded to, and just in case we're not here tomorrow, happy early birthday tomorrow.

What I'm going to bring to your attention today are things that I'm hearing in my riding of Bruce-Grey-Owen Sound as well as my colleague's. I'm going to share my time this morning with my colleague Mr. Harris from Kitchener-Conestoga, who is going to speak specifically about FRO.

I think one of the things that I'm hearing big-time, right in my riding today and from some of my other colleagues, is your new computer training program. We're hearing directly from front-line staff that they're concerned with regard to the training. They don't feel comfortable that it's going to be seamless, that it's not going to create challenges. Their biggest concern that they're bringing forward to me is that a number of the clients who depend on those cheques are not getting them.

I note, looking through the file, that back in 2006, a computer program at that point was abandoned after spending \$21 million and three and a half years on development. I know that's obviously not on your watch, but I think it makes me a little concerned when I hear those types of stories and now we're doing another one, and I'm hearing from front-line staff that it hasn't been good training. I'm hearing from municipalities that they want to continue to go ahead, because they've invested a

lot of money. But at the end of the day, what we need to care about are the people that are reliant upon those cheques. Can you give me some assurance of what's in place to ensure that that doesn't happen?

Hon. Helena Jaczek: Would you like me to respond now, as we go through?

Mr. Bill Walker: Yes, please.

Hon. Helena Jaczek: Absolutely. Well, certainly the new SAMS system that I alluded to in my opening remarks has made, we believe, and will make a huge step forward in terms of our ability to process applications and so on.

In terms specifically of training, I've spent the last several months trying to get out and visit a lot of front-line situations. I have been to OW, actually, in Hamilton, and I was out to ODSP in Newmarket. I must say that in the early days, the early part of the summer, I attended a training session. There was some anxiety on the part of the staff, but the workers there were feeling that they were making good progress and that they knew there was sufficient time for the rollout, which actually happens November 11, I believe it is. By the time I got to the ODSP office in Newmarket, people were feeling a lot more comfortable in terms of the training they had received and their ability to manage the new system.

We do feel that it is going to provide significant streamlining. We feel it will allow caseworkers to spend a lot more time one-on-one with clients, as opposed to on the old computer system.

As it relates to the computer system in 2006, I think perhaps I'll turn to my ministry officials. They may know a little bit more about what led us to introduce this new system. But from my observation, whatever it is, I feel fairly confident that the new system will have a pretty seamless rollout next week. Change is always difficult for everybody, and we acknowledge that.

Mr. Bill Walker: On that perspective, then—and I grant that, obviously, you can't be in every office that's out there, but I'm obviously hearing it from a variety of offices. Do you have any kind of mechanism in place so that people can actually provide feedback? I don't even know how to ask this from the perspective of—if I think of Ornge, you know, we had people come forward, and they felt that they were going to be penalized if they stepped forward. So I think there may be some people who are coming through a side door to us because they're afraid to come directly to the ministry. I want to be assured that those people—because it obviously is a case where you've been to a couple of offices and they're feeling comfortable. I'm hearing the exact opposite: that they are extremely concerned, and they are concerned about those people who aren't going to have that cheque.

The second part of my question would be: What is the backup? Do you have a contingency, if there's a flaw, to ensure that those people—an unintended consequence, perhaps, but they are still not going to have that money.

Hon. Helena Jaczek: Okay. I quite understand anecdotes are anecdotes, but they were certainly very free in Hamilton to tell me exactly how they felt early on in the summer.

In terms of our regional offices, we have five regional offices, and they are monitoring the situation. In terms of the handover to the new system, I understand there will be an overlap with the old system so that there will not be anyone falling through the cracks. But I think I'll turn it over to my ministry officials to see how they would like to respond.

Mr. Bohodar Rubashevsky: Thank you. I'll ask Richard Steele, who is the assistant deputy minister responsible for social assistance operations, to provide a little bit more detail on preparations, including training.

Mr. Richard Steele: Yes, there's no question that the transition to SAMS is a big transition. It's a complex transition. The ministry has been planning the launch and implementation of SAMS for nearly four years now.

There has been a lot of opportunity for staff to provide feedback as we've gone through the readiness and pre-training. The first round of training for staff actually began early in the year, in January, and we got a lot of very good feedback from staff around what was working and what was not working, and we made a number of changes to the training program. We launched a refresher program at the end of the summer, and again there were a lot of opportunities, both directly and of course through the bargaining agents, for staff to provide feedback.

It is a major transition. All of our staff, as well as ourselves, of course, are very focused on how to ensure the best possible service to our clients, so we certainly appreciate the level of anxiety that is out there. There always is a level of anxiety as we go through a major transition. The transition to SAMS is no different than any other. We are confident that staff are prepared and ready. We know there are staff who are anxious; again, there always are. The overwhelming sense that I get talking to staff, and I'll reinforce what the minister said, is, "We're as ready as we're going to be. Let's get on with it." So that's the sense we have.

In terms of contingency plans: absolutely, we do have contingency plans. If there was a problem, for example, in terms of making updates to the system, we do have contingency plans in place to make sure that social assistance recipients still get paid. So we're not concerned about that. We have contingency plans to ensure that doesn't happen.

So overall, we believe we're ready to go. It's a large, complex undertaking. There have been years of preparation and readiness activities happening, but we think we're as ready as we can be to move forward.

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Mr. Bill Walker: Thank you. Minister, I should have asked right off the bat as well: Is it possible to have a copy of your opening notes for my colleagues and anyone at the table?

Hon. Helena Jaczek: I would imagine so. Hansard, obviously, records them all.

Mr. Bill Walker: Wonderful. Thank you.

I'm going to move into FRO a little bit. A little while ago, my colleague Jeff Yurek—and it's not dated here—introduced a petition. I certainly have asked, I think in

the last month, for an all-party committee to actually review all of FRO, because I think in the Auditor General's report, other than the volume of complaints about the exorbitant hydro rates that we're all experiencing today, FRO is probably the second-biggest level of complaints that they receive. We had asked for an all-party committee to review that. Are you prepared to strike that committee, Minister?

Hon. Helena Jaczek: Mr. Walker, first of all, I'd like to say that I'm really convinced that we have made great improvements in FRO. I was elected seven years ago. In those early years in my constituency office, certainly there was a huge number of calls coming in. Certainly, from my perspective, we've noticed a dramatic decrease. I did detail to you a number of the improvements that we've made.

I think it's worth noting immediately that the situation that FRO is engaged in is a highly emotional one. You have a couple who have separated, divorced, there's a court order, there's a lot of anxiety over finances, so it's a very emotionally charged situation that our staff are dealing with.

I think the sheer volume—this is why, in my opening remarks, I made note of the number: 180,000 open cases. This is truly massive, actually, if you really think about the numbers, if you think about what FRO is dealing with each and every day.

We're confident that we have made significant improvements. We continue to think of ways in terms of how we can better service our clients.

The acting deputy was actually, in his former life, the ADM responsible for FRO and is someone who has made these ongoing improvements to the services we provide.

Perhaps you could give some reassurance to Mr. Walker.

Mr. Bohodar Rubashevsky: Yes. Thank you very much, Minister.

In her statement, the minister did allude to some of the modernization initiatives that we've undertaken. In addition to the processing of documents, we've also streamlined our registration process. Previously, it would take up to 100 days, on average, for new court orders to be registered with the Family Responsibility Office. We have 30 days standard now, and we're initiating cases much more quickly.

We also have introduced changes in the way that we process outbound documents as well so that those are much more quickly available to clients.

A key foundational piece for the Family Responsibility Office to improve in the future was the implementation of a new case management system about a year and a half ago. That was also a complex undertaking, very similar to what we're facing with the social assistance management system, but it really does provide a foundation for us to improve the effectiveness of the program.

The technology enables us, for instance, to automate the review of cases and to present suggested enforcement to enforcement officers. We're going to be implementing that feature of the system before the end of the

fiscal year. In the past, unless a caseworker was able to review a case or receive a phone call from a client, the response to cases was often reactive as opposed to proactive in nature. With the implementation of the technology, we're going to have that feature as well as the ability of clients to acquire information about their cases without having to call the office, and allow our enforcement officers to focus more on actually managing cases.

Mr. Bill Walker: I certainly appreciate and respect all of those initiatives that you're coming to, but Minister, I guess I was more hopeful with the question. Your government, from day one, has said you want to work with the other parties. You want to work across lines and make sure we do the right things. I don't mean this in any kind of negative context, but when you're not prepared to implement a committee when others have called for it and believe we can bring something to the table—with all due respect, I don't think one party or one government has all of the answers.

It saddens me in the last couple of days that we've tried with Bill 10 to be able to go out to the community and listen and hear and the government has shut that down and, in fact, yesterday even shut down debate on it.

Here's another one that we are hearing, and certainly the volume of concerns we're hearing across my colleagues' offices—and I trust the third party won't be a whole lot different. There are other concerns that are being expressed to us. It would have been my hope that an all-party committee could actually come—you've sat on a couple of all-party committees that have done great work in this Legislature and I was hoping that because of your leadership we could maybe have looked forward to that.

It certainly is a case where there's a lot that needs to be done. Your former finance minister, in fact, even from a collection side, made the comment: "Why are we in the business of collections?" That could be an area that could be examined, again by an all-party committee, and truly say—because that staggering caseload that you're talking about and the \$2 billion in payments that aren't being made—people then have to find that somewhere else. They're either going to other social services, or the most sad case would be children and people in need going without.

I think there's a lot of opportunity that we could have struck there. It saddens me that we're not, by the sound of it, going to have that opportunity to work collectively with you in that manner.

I'm going to turn it over to my colleague—

Hon. Helena Jaczek: Mr. Walker, if I may, I'm always interested in constructive ideas, and any that you have I'm sure we would welcome. If you would like to hear a little bit about the idea of collection agencies and why we are in this business, we do actually have a little history on that and some pilot programs, if you're interested—

Mr. Bill Walker: Thank you. I would, but for the sake of time I'm going to allow my colleague to ask his

questions and then we'll revisit that because I think I have more time allotted for my questions later.

Mr. Michael Harris: Thanks, Bill.

Good morning, Minister, folks. I know we'll be on this subject this afternoon. There are in fact some folks coming in from my riding. They'll be in the Legislature this afternoon to hear a petition that they've been working on—a couple of moms who in fact have taken this issue on and are very passionate about fixing some of the problems that they, as moms, encounter in dealing with FRO.

I guess I'll just ask—and I don't expect an answer right now, but perhaps you can get back to the committee. In 2010, the Auditor General did another report on the Family Responsibility Office. They outlined the amount of staff, I suppose, at the Family Responsibility Office. I'm just wondering if you could provide to the committee—not now—a breakdown. There was a nice chart in his report in 2010—it was page 5 of 19—that listed the amount of staff based on the client services branch, the financial administrative services branch, the strategic and operational effectiveness branch and the legal services branch and outlined exactly how many staff members there were in June 2010.

I'm wondering if you can provide the committee a breakdown of a similar up-to-date chart in 2014 for us so that we just get a bit of an idea of staffing in 2010 compared to now.

You did talk about the Auditor General's report in 2010. He did criticize the office for its general ineffectiveness, of course. I'm just wondering if you can explain to the committee specific mechanisms you've taken to address his specific concerns in 2010.

Hon. Helena Jaczek: I think I'll turn to the deputy for those specific comments, 2010 through 2014.

Mr. Bohodar Rubashewsky: Thank you, Minister.

I don't recall all of the recommendations of the provincial auditor. However, one of the areas that he focused on was the call centre model that we had in place at the time and the fact—and the minister alluded to it in her comments—the difficulty, the challenge that clients had even contacting the Family Responsibility Office to speak about their case, the necessity, first of all, to tell their stories over and over again and also to face a busy signal rather than even someone to talk to them. We've introduced, in response to those recommendations, a case management model which provides a much more direct connection between clients and case contacts.

Mr. Michael Harris: He did mention that 80% of callers never got through in 2010 and in fact one in seven hung up.

Mr. Bohodar Rubashewsky: That's correct.

Mr. Michael Harris: What are the stats on that today?

Mr. Bohodar Rubashewsky: In terms of busy signals, virtually zero. There are very rare occasions when the call volumes are such that all of our lines, even direct lines to case contacts, are occupied, but that happens very rarely. Clients are able to either speak directly with their case contact—and we have a 25% live call

standard in the organization—or also leave a voicemail, and we have a two-business-day response standard for that.

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In terms of call abandonment, which is when people do call in but before they leave a message they hang up, our average now is about 10%. It's understandable that clients may have left a voicemail. They're looking for an immediate response; they are anxious to speak to the case owner. They try again, they hang up, and they may try again. So that figure, the abandoned rate, is down to about 10% now.

Mr. Michael Harris: There was also a chart in his 2010 report—it was on page 8 of 19—that despite a number of calls, they failed to get through to the call centre. It broke it up into three weeks: total calls, answered calls, failed calls and then the percentage of calls. That's how he got to the point of 80%. Would you be able to provide to the committee any data or the most recent data that you have from the ministry or the Family Responsibility Office similar to this, perhaps updated?

Hon. Helena Jaczek: Yes, I think we'd be very happy to do that. I did want to point out, Mr. Harris, that the Auditor General did do a follow-up report on FRO in 2012, and he acknowledged at that time that there was really significant progress on several of his recommendations—and that was two years ago. But we will be, no doubt, happy to provide whatever we can in response.

Mr. Michael Harris: Sure. I know I want to get into it later this afternoon when folks are here, but the Family Responsibility Office has failed to collect an additional \$500 million of outstanding payments. Why is that?

Hon. Helena Jaczek: Actually, if we can give you a little sense of what's happening with arrears and outstanding payments: In Ontario, we actually have accumulated all the arrears that have been incurred since—I think it was 1987, so some of these numbers look very, very large. Essentially, we collect the vast majority of the money owed, and the deputy will give you specific figures.

I think it's worth remembering that there are some cases, unfortunately, where people are really bound and determined not to pay. I've been to the FRO and I've sat beside caseworkers trying to reach payers, and these are people who unfortunately just don't want to be found, whether they give not their home address but a commercial address where they're no longer known—that was one case that I sat beside—phone numbers where the voicemail box is full. There's incredible frustration on the part of the workers. They really are like detectives trying to find these individuals.

Obviously, it's most unfortunate. We want to try to find every one of those payers and make sure that payees get what they are owed, but it is a very, very difficult thing to do in terms of when you're dealing with people who are just determined not to be found.

Maybe the deputy can give us some numbers.

Mr. Michael Harris: Yes, and I look forward to hearing from the deputy. There was a mention in his 2010

report that it took four months before FRO started its enforcement process. How long would you say it now takes FRO to start that enforcement process?

Mr. Bohodar Rubashewsky: From the point in time at which we receive a court order, our average—unless the court order has a complication in it that requires it to be returned to the court for clarification—we initiate those cases and begin enforcement in around 30 days, compared to the average as it existed in 2010.

Mr. Michael Harris: Sorry I interrupted you quickly, because I know you talked about arrears, but I don't know if you want to explain my first initial question on really the \$500 million in outstanding payments and what they're doing to bring that number down, I suppose.

Mr. Bohodar Rubashewsky: Yes. First of all, just to put the \$2.1 billion in some context, which is the total accumulated arrears, those have accumulated, as the minister—

Mr. Michael Harris: Sorry, I said “failed to collect an additional \$500 million.” It is over \$2 billion?

Hon. Helena Jaczek: That's the cumulative amount, yes.

Mr. Bohodar Rubashewsky: That's right. These arrears have accumulated now over almost 27 years. Over that period of time, FRO and its predecessor organizations have collected about \$12.5 billion in actual payments.

The collection of arrears is challenging, particularly in such a long-standing program. A significant portion of our arrears are within a small number of our cases. About \$1 billion of our arrears are within 10% of our caseload. They're generally older cases where we have, at different points in time, exhausted avenues for collection of those arrears.

We're actually doing analysis with the part of the ministry that is responsible for social assistance forecasting—so therefore, very deep, analytic capabilities—to review the cases that have long-standing arrears and look at opportunities, see if there are strategies that we can follow to deal with those hard-to-collect cases.

We do try to benchmark ourselves with other jurisdictions to see how we are doing. It is a very difficult comparator to find. In Canada, we are by far the largest maintenance enforcement program. We have almost half of the caseload in the country. We do look at the United States; given their relative volume of cases, they're somewhat more comparable to ours. When we look at maintenance enforcement programs in North America, including the United States, about three dozen jurisdictions have caseloads of 150,000 cases or over. We collect, actually, more per full-time-equivalent employee than any other jurisdiction of that order of magnitude. On that basis, we average about \$1.48 million per employee collected in FRO, which is a very efficient standard, and our compliance rate is a little bit above the average of comparable jurisdictions in North America.

So the work is very challenging at the best of times—

Mr. Michael Harris: So tell me: The minister mentioned listening to the calls up at FRO. What tools have

you asked for to step up enforcement in Ontario, perhaps, since 2010?

Mr. Bohodar Rubashewsky: We have tried to utilize the tools that we have available to us to better effect. One area that we and other maintenance enforcement jurisdictions have approached the federal government on—not as an enforcement tool but as a trace-and-locate tool—is to have better access to federal data, particularly Canada Revenue Agency data and information that is collected by Human Resources Development Canada on new hires, on employees who are being brought into the workforce by employers. If we can't find them, it's very difficult for us to engage in enforcement efforts—

Mr. Michael Harris: Has there been an official ask of the federal government on that?

Mr. Bohodar Rubashewsky: It has been an official ask. Two ministers from Ontario have written the Minister of Human Resources Development Canada. I would anticipate that Minister Jaczek will as well. And there have been formal requests from—I know of at least two other provinces: British Columbia, through their justice minister, who is responsible for their maintenance enforcement program; and Manitoba as well. At the official level, these inquiries have been made probably over the course of a decade, and we've not had much success.

Mr. Michael Harris: Alberta uses an interest model; they charge interest on outstanding payments. Is this something Ontario has looked at ever?

Mr. Bohodar Rubashewsky: If there is interest applicable in the court order, then we do apply interest. And there are different ways in which interest is calculated. That is specified in the court order. So if it is not specifically outlined in the court order, and the methodology is not outlined in the court order, then we don't collect interest.

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Mr. Michael Harris: But in Alberta, the equivalent to FRO actually has the authority to charge interest. I'll make the assumption that it doesn't need a court order to do so. Has the province looked into asking for the ability to just simply authorize or have the authority to charge interest on these? Because it seems that Alberta has a much more successful compliance rate than Ontario, and I think a lot of it has to do with interest being charged. If you're a deadbeat dad or what have you, knowing that interest is ticking away, you're perhaps more apt to pay. Why hasn't Ontario taken that action? If you talk about asking the federal government for more tools on employment information, why haven't they gone this route like Alberta?

Mr. Bohodar Rubashewsky: I'm not sure if I have an answer on the history, but I do want to say that you made a point about the compliance rate of Alberta relative to Ontario, and I'm not sure if that is the case. If you look at average arrears per case, Alberta is one of the provinces that does not write off arrears. The province of Quebec, for instance, does, so they're not a good comparator. But our average arrears per case are relatively in the range of Alberta.

The issue of whether interest should be automatically charged: I don't have enough of an understanding of the Alberta system to be able to speak to exactly under what circumstances they do it.

Mr. Michael Harris: We all know that enforcement is a difficult part of collecting things, and I'm just wondering what changes the ministry has made to assist their folks other than making a phone call and begging for money. If the phone isn't working, what else are you doing or what other tools are you asking for within the government of Ontario to assist your folks at FRO to get money out?

Hon. Helena Jaczek: One of the new initiatives that impressed me was the impoundment of the vehicle for seven days, because when I was talking to the FRO case-workers, they said, "If you can suspend the driver's licence, that is a very good tool to"—

Mr. Michael Harris: When did that get brought in?

The Vice-Chair (Miss Monique Taylor): Excuse me: You have two minutes left.

Hon. Helena Jaczek: The impoundment of the vehicle was a relatively new—

Mr. Bohodar Rubashewsky: Yes, I think it was about two years ago.

Hon. Helena Jaczek: About two years ago.

Mr. Michael Harris: Could you provide to the committee the amount of impoundments since implementation that have been done? You can also remove the licence from someone as well, right? So impoundment of the vehicle for seven days and you can actually remove one's licence as well, right?

Mr. Bohodar Rubashewsky: That's correct.

Mr. Michael Harris: Can you provide to the committee—it doesn't need to be now; just another follow-up question—how many licences have been taken away and how many vehicles have been impounded in the last two years, I suppose?

Hon. Helena Jaczek: We have those numbers.

Mr. Bohodar Rubashewsky: We do have the numbers related to driver's licence suspensions. We will have to look into whether the Ministry of Transportation actually breaks out vehicle impoundments by reason. I'm doubtful that they will have a figure related to FRO specifically, because those impoundments arise out of driver's licence suspensions. So if a driver's licence is suspended for any reason, including enforcement through FRO, vehicle impoundment can follow.

Mr. Michael Harris: Quickly, because I know my time is—

The Vice-Chair (Miss Monique Taylor): The time is up. I'm sorry. We have to move on to the third party. Ms. Forster.

Ms. Cindy Forster: Thank you, Madam Chair. Good morning. I'm only going to have a very few minutes here because, of course, we're going to be adjourning shortly, so I'm going to focus on the regional centres: the Huronia, Southwestern and Rideau Regional Centres. You spoke a little bit about that, Minister, in your opening remarks, about the fact that they closed in 2009 and that the

ministry is investing significant dollars over the next three years with respect to people with disabilities.

What you didn't talk about was the class-action suit that happened. In December of 2013, a settlement was reached, and again in 2014, a similar settlement was reached with respect to the Rideau and Southwestern facilities. Then in December, the Premier delivered an apology. The facilities were closed in 2009. My questions are actually going to be around them. I have five or six of them. At the end of that, if you don't have the answers, perhaps this afternoon we can get to them.

The \$67.7 million in compensation for the former residents of the three facilities: Where is that money now? How many former residents have actually received the money? How much of that money is still outstanding? And where do we find that in the estimates? When we look at the estimates briefing book, where do we actually find those dollar values?

After the legal fees were paid, how much funding was available for the people who were due compensation for the damages?

How many staff are responsible for finding and processing the files of former residents who have applied for compensation? We know that it was reported this past summer that at least 90 former residents of the Huronia facility were told that the ministry could not locate their files. There was no file that they had ever lived in that regional facility; they had no records of that. These aging former residents—we got to meet a lot of them, actually, when they were here last year—were told that there was no record of their time in these institutions. Many of them are feeling re-victimized at all three of these institutions, when you're told that a minister who was responsible for your care for many years doesn't even know that you actually existed.

How many of these individuals have we actually found files for and how many residents have you located files for who have still not received any compensation? Once again, this is an aging sector of our society and hopefully they'll receive their compensation soon so that they can use it to improve their quality of life.

My last question is: When some of the survivors first requested their files, the ministry told them that they would have to pay for the FOI, the freedom-of-information request. Is that still the process or has that changed? Have the people who had to pay for the FOIs been compensated and had that refunded to them?

Finally, if you don't have the answers to these questions, could you actually provide the committee with any reports or documentation as to this compensation process: what's been paid, what's outstanding, how many clients have been paid, and how many clients still have compensation outstanding?

Hon. Helena Jaczek: I can make some general comments because, of course, I have been quite involved in the whole situation. I visited Huronia to unveil the plaque up there and I've also been down to the Southwestern Regional Centre, which I actually visited back in 1987. It's certainly a very important milestone that we have

been able to, obviously, place individuals in the community and to have settled the claims that were made, and you've detailed those dates.

You probably also know that the Superior Court did lengthen the claims deadline so that the settlement actually has been extended until November 30, 2014. It has been a challenge to locate the files. One of the figures I was given was that the file for someone who had resided in an institution was an average of 500 pages. Individuals did move from facility to facility, so there was very intensive work done over the last year or so in terms of trying to locate those files and doing the very best that the ministry could to locate them.

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I do have one number which is as of August 5, so maybe it has improved since then. At that point, 98% of all resident files had been found, and so there were 47 at that point not located.

In terms of the staffing that was put in place, because additional staffing was there to move this issue forward, I know that there was intensive work done. We will, of course, get you the very specific numbers that you've requested, to the best of our ability, that we can.

But perhaps the assistant deputy minister, Karen, can detail that whole process for you.

Ms. Karen Chan: Absolutely.

Ms. Cindy Forster: Could I just ask one more question before you do? So, for the 47 people that you haven't found files for, is there a process for them to swear a declaration or something to that effect, that in fact they were residents and—

Hon. Helena Jaczek: They can still make a claim; absolutely.

Ms. Karen Chan: Absolutely. So just in follow-up to that specific point: A file isn't necessary for anybody to make a claim, and that was really made quite clear.

Just on the status, as the minister stated, actually the deadline for claims doesn't end until November 30, so once all of the claims come in, the claims administrator, which is Crawford Class Action Services—we don't manage them, as a government; it's a third party that actually manages the claims process. Once they are all in, they will then go through a process of assessing them and giving them certain levels of ratings that will then allow the claims administrator to determine the amount of dollars that will go to an individual claimant. They can't do that until all of the claims are in; so once everything is in, then they will go through that process.

Specifically, in answer to your question, does anybody have any money in their hands? The answer is no, they don't, because of the process that's been set up by the courts and then with Crawford Class Action Services. I do have all the phone numbers and the contact information. That's also available on our website. People can go and look at that.

As far as the freedom-of-information requests go, it's true, we received more than 2,900 requests under FIPPA—

The Vice-Chair (Miss Monique Taylor): Excuse me. I'm sorry to interrupt. There's two minutes left at this time.

Ms. Karen Chan: I'll do this real quick. There were 2,900 requests made. Of those, there were 46 that were not found. The average size was 500 to 600 per file. We had staff on-site working three shifts, in order to get those files—you can imagine if you're going back in files 50, 60, 70 years. You're talking about paper files; you're talking about small bits of paper. They all had to be redacted. How people kept files 50, 60 years ago wasn't quite, maybe, the same as we would, so if there was information about another resident in that file, which there often was, that had to be redacted. This was all done, keep in mind, in mostly handwritten files that were brought forward. So there was a lot of work and a lot of effort, and there was personal contact made with all those 46 people. A call was made from the administrator of FOI, who talked to them and explained to them the dilemma.

Ms. Cindy Forster: Thank you. How much time will it take, once the November 30 deadline is here, to actually process payments to all of the claimants?

Ms. Karen Chan: That isn't a question I can answer. It really is under the guise of the third party and the judge that will be overseeing that. So there is a judge that oversees this whole process, so it really is in their control once all the claims come in. Obviously, they understand the interests of the individuals, as do we, and I'm sure the judge will take that into consideration.

Ms. Cindy Forster: Well, I hope it's not going to take as long as it does in the area of labour around severance pay and pension issues, because I know from living in Niagara that we have people who are waiting seven years for their pension monies out of pension plans.

The Vice-Chair (Miss Monique Taylor): Thank you. You'll be able to pick up your remainder when we come back this afternoon.

Ms. Cindy Forster: How much time will I have this afternoon?

The Vice-Chair (Miss Monique Taylor): Approximately 20 minutes.

Ms. Cindy Forster: Thank you.

The Vice-Chair (Miss Monique Taylor): It being close to 10:15—actually, it being 10:15—I will recess the committee until this afternoon at approximately 3:45, following routine proceedings in the House.

The committee recessed from 1015 to 1600.

The Vice-Chair (Miss Monique Taylor): Okay, we can begin. When we left off, the member from the third party still had 20 minutes remaining, so we will go back to Ms. Forster.

Ms. Cindy Forster: Oh, thanks very much. I'm just going to go back to the regional centres for people with developmental disabilities for one more question. Part of the compensation package that was struck in the class-action settlement was a \$7.7-million fund to be invested in programs that benefit people with disabilities. Do you have any idea at this point what those programs are and

what they're going to look like? And is that over and above the \$810 million that's being invested into this sector?

Hon. Helena Jaczek: I think we'll hand this over to ADM Karen Chan for the details.

Ms. Karen Chan: Yes, thank you. Yes, it is over and above. It is not part of the \$810-million investment. That's still to be negotiated. Once we get through all of the claims process, then we will finalize the work on where the program dollars actually go.

Ms. Cindy Forster: Thanks.

Now I want to move to the Family Responsibility Office. Last month, the CBC did an investigation that found that Ontario was trailing the rest of the country in collecting child support—in fact, that 80% of cases are in arrears, that \$2.1 billion of support orders are outstanding and unpaid and that each of 450 caseworkers in the province is responsible for 400 open cases.

I want to know: How does that math work? I mean, how do we ever expect to collect unpaid money when each caseworker has 400 open cases that they're supposed to try to bring into the coffers and distribute to people? In fact, you've effectively frozen the FRO budget this year with an increase of just 0.05% over last year. If we look at page 98 of the estimates, it shows that the funding was \$53.78 million last year, and now it's just \$53.8 million.

I guess the question is: Why are you freezing the Family Responsibility Office when it clearly doesn't have enough resources to actually collect what's in arrears to date?

Hon. Helena Jaczek: First of all, you referenced the CBC program. We actually would not agree that we are in any way worse at collecting these support payments than other provinces, and I think the deputy has some specific numbers to actually show that. We do collect the vast majority of the funds that are due to the recipients. We have a collection rate that is entirely comparable to similar jurisdictions. We never close a FRO case, so when you see the total amount in arrears, that's cumulative since 1987.

In terms of workload for staff and so on, I will ask the deputy to address those issues. The staff per case is, I believe, something that is looked at very carefully. We want to ensure that caseworkers do have sufficient time to interact with clients, to do their work appropriately, and it's something that we monitor very carefully.

If we do not see any need for an increase in spending, it obviously would be irresponsible to do so. As we all know at this point in time, we want to be very careful with expenditures, but it's obviously something where we have to look very carefully: Is each client being appropriately served?

I think perhaps if you'd like some more detail from the deputy on your points, this would be a good time to get those—

Ms. Cindy Forster: Could we just actually have a copy of that kind of reporting? We only have a very few minutes on this file, so it would be helpful, I think, if the

committee members actually had those numbers, comparing our collection rate—

Hon. Helena Jaczek: You would like a written response for tomorrow, perhaps?

Ms. Cindy Forster: That would be great, yes.

Hon. Helena Jaczek: We can do that.

Ms. Cindy Forster: That would be great.

I want to move on to the Ombudsman's investigation with respect to FRO. Consistently, FRO is the number-one complaint issue to the Ombudsman's office. In fact, the complaints increased by 46% over 2012-13, to 1,157 complaints last year. The Ombudsman uncovered, and I quote, "a grave miscommunication between" FRO and ODSP, two programs within your ministry, and that had a dire result. According to the Ombudsman, it "deprived families of hundreds of thousands of dollars over several years," with one woman not receiving 14 years' worth of child support payments because they were sitting in ministry bank accounts. The two ministries, I guess, weren't talking to each other.

The Ombudsman also learned that after informing the ministry of this huge problem, an employee of the ministry manually reviewed ODSP records on her own initiative and identified at least 350 more similar cases. As of June, your ministry has already reimbursed about \$845,000 to these families. Can you update the committee today as to how many have actually received the money that they were owed? Did the ministry pay these families the total amounts they were owed including interest, and what is the total amount of the money paid out to date and how much more is left to be disbursed?

Hon. Helena Jaczek: Again, because of the detail involved, I will turn to the deputy.

Mr. Bohodar Rubashewsky: Yes. Richard Steele has been working with FRO, the Family Responsibility Office, on this whole repayment issue, so I'll ask him to speak to you.

Mr. Richard Steele: First of all, I think the ministry absolutely would acknowledge that this is something that should never have happened. It is absolutely an unacceptable situation that social assistance recipients would not be receiving the payment they were due. There's no question: This has been an error on the part of the ministry in managing what is a fairly complex relationship between the two programs.

We've been working very closely with the Ombudsman's office, first of all, and I know the Ombudsman's office has been very satisfied with the ministry's response in responding to this.

In terms of the detailed numbers, we'll have to bring that back because it is a work in progress and it kind of changes every week. What the ministry did do, though, is establish a dedicated team of staff to review the specific cases where we were able to identify that while the client had left social assistance, the assignment from the Family Responsibility Office to the ministry of the child support payments had not been terminated.

On the ODSP side, I think the number was around 300—between 300 and 400 cases—that fit that defin-

ition. Not all of those would actually be clients who would be due some money. In some cases, there would be no money owing, but we have had a team of staff working through all of those to determine which, if any, should be refunded and starting to process those refunds. We're at the point now where we've almost completed the review of those files and refunds are going out to some clients. We can certainly provide the committee with the details, what those numbers are and how much money is being refunded.

Moving forward, clearly our objective is to ensure that it doesn't happen again. The medium-term solution will certainly be to build a better interface between the two systems for the two programs, FRO and ODSP, to ensure that there's a more automated process to make sure that doesn't happen.

In the meantime, we have been able to establish essentially some reports from the two systems that will allow us to better track whether the process hasn't worked as it's supposed to and whether other clients are falling into this situation so that if it does happen, there certainly won't be long delays in addressing it moving forward.

Mr. Bohodar Rubashewsky: And if I could speak to the general relationship with the Ombudsman, the way that we interact on inquiries, we do have—and I believe the Ombudsman's office would acknowledge a strong working relationship. We have the Family Responsibility Office. We acknowledge that we are, as the Ombudsman would say, the most complained-about general government program, and that is a combination of inquiries that the Ombudsman receives where we legitimately have made mistakes or not managed the case appropriately, but in many other cases the Ombudsman hears from clients who have approached us who have not been satisfied with the outcome that they brought forward to us and wanted to have a right of appeal. In many cases, the Ombudsman does confirm that the actions taken by FRO were appropriate, but because the issues are obviously so emotional and oftentimes so complex, our clients do take the opportunity to use whatever means and avenues they have to seek a resolution that's more satisfying to them.

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The 46% increase in complaints year over year was obviously troubling to us. It was in quite large measure due to the implementation of our new case management system. This was a system which replaced a 26-year-old system, so it's much more significant than, I would suggest, many technological renewals. It was almost a three- or four-generation change for our employees. We did a significant amount of training and preparation, but that being said, there was a period where we did have backlogs, backlogs in responses to clients. Certainly the complaints about lack of responsiveness, as opposed to necessarily actions taken by the organization, did increase.

Ms. Cindy Forster: Someone mentioned moving to an online type of system. We understand that you're planning to charge an administration fee to parents when the

online child support system is up and running in 2015. It was approved in the budget bill. It's the first of its kind in Canada. I guess my question is, how much will that fee be? It doesn't really seem right that people would have to pay a fee to actually go online and perhaps reduce the work of that ministry. They should actually be rewarded instead of penalized by having to pay a fee to log on to get what is ordered by the courts to help them support their kids.

Mr. Bohodar Rubashevsky: The enabling legislation, the budget bill, did contain provision for a fee. The fee level has not been determined at this point. It will be done, I believe, through regulation.

I think there is a clear intent to keep the fee at a reasonable level simply to offset, because there is an additional development and maintenance cost for this online automated child support calculation service. It will be operated by the Ministry of Finance and ServiceOntario. It will offer significant advantages to recipients and payers who wish to avail themselves of it, including the very significant cost that's associated with having their support orders established in court.

The fee, when you look at the cost in particular of legal fees or even appearing in court to establish these child support orders, is likely to be nominal. There is certainly active consideration for an exemption based on the low-income cut-off or similar.

Ms. Cindy Forster: So what are you anticipating that you'll recover per year when the system is up and running, and how many parents will actually use the system?

Mr. Bohodar Rubashevsky: Do you mean in terms of recovery of cost?

Ms. Cindy Forster: Recovery through the fees.

Mr. Bohodar Rubashevsky: Recovery through fees—it will only be to offset the cost of the operation of the service and no more than that. It's not intended as a revenue source.

In terms of how many families or how many recipients and payers will avail themselves of the service, it's not entirely clear. There is an estimate that has been provided by the Ministry of the Attorney General that up to 25% of child support orders that are brought to court for establishment or variation do not have complicated elements associated with them. If we are able to promote the service and the advantages of the service, we would anticipate that several thousand child support cases that would otherwise go to Family Court would actually be diverted to this service. The service itself would allow for variation of support orders to occur based on latest taxation information or alternative financial information—so, much more nimble in terms of being able to keep those support orders up to date and realistic on the part of the payer as much as fair on the part of the recipient.

Ms. Cindy Forster: Thanks. How much time do I have left?

The Chair (Miss Monique Taylor): Exactly five minutes.

Ms. Cindy Forster: I'm going to turn to a constituent complaint with respect to her ODSP file and the ministry.

A person who has been on ODSP for a number of years with chronic mental health issues received a letter recently, by mail, telling her that she owed almost \$25,000 in repayment over the period between, I believe, 2011 and 2014, because she had failed to provide A, B, C, D, E and F in a form letter.

She attempted numerous phone calls to the ODSP branch and left voicemails. No one returned her calls for a number of days, leaving this woman who already suffers from chronic mental illness very stressed out for a number of days before she finally got a call telling her that she had received the letter in error; it was a computer-generated mistake.

So my question is, what are the time frames in ODSP, the mandate for returning phone calls, the time frame? What kinds of audits and reports are kept on these types of errors? Is there any reporting mechanism so that you could generate a report for this committee with respect to how many times these kinds of issues happen?

Hon. Helena Jacek: Well, I'll just respond in general. Obviously, we can't comment on a specific case. I'm sure we can give you some general responses in terms of occurrence of administrative errors and time frames in terms of response. It obviously sounds like a very unfortunate case, and hopefully your constituent is not being very much disturbed by it, because obviously there was a lag in terms of getting the letter detailing the error.

But perhaps we can turn to Richard to give you maybe chapter and verse on how we respond to that.

Mr. Richard Steele: As the minister says, in terms of the specific of a client situation, I can't comment. Certainly, if you have details, we'd be happy to take a look at what specifically happened in that client's situation.

First of all, service quality is something that we take extremely seriously—

The Vice-Chair (Miss Monique Taylor): Excuse me, Mr. Steele. There's two minutes left of this period.

Ms. Cindy Forster: We have two minutes.

Mr. Richard Steele: Okay. Service quality is something we take extremely seriously as one of our organization's objectives, both in terms of clients coming into our office, clients calling in, clients leaving phone messages.

There is no question that the caseload and workload is high for our clients, so we don't always hit the mark in terms of where we'd like to be, in terms of responsiveness. It's something we continue to work at very, very diligently. The objective is certainly to call clients back within 24 hours. Again, that doesn't always happen, but that is what we try to do in order to be as responsive as we can. It can take a little longer.

One of the things we have started to implement over this last year and make available to clients is secure email. That's a way that clients can actually communicate with their caseworker without having to speak to them on the phone or go through our phone system. It's certainly helpful for some clients.

In terms of your question around tracking of service quality, there are a few things we do. Our current

telephony technology doesn't allow us to track wait time and so on, on our phones. It's certainly something we would be looking at as part of our service modernization agenda, but at this time we can't track that at the individual call level. We certainly do client satisfaction tracking in terms of looking at the overall service experience our clients are getting and monitoring that on an office-by-office basis.

Ms. Cindy Forster: And do you actually put the office-by-office into a report once a year?

Mr. Richard Steele: Excuse me?

Ms. Cindy Forster: The office-by-office tracking: Does that go into an annual report once a year?

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The Vice-Chair (Miss Monique Taylor): Thank you. I'm sorry, that's your time.

The minister now has 30 minutes for the right of reply. If she does not use all of her 30 minutes, the extra minutes will then be left to be split equally between the three parties.

Please go ahead.

Hon. Helena Jaczek: Thank you very much, Madam Chair.

Because we've had so many thoughtful and in-depth questions to date during this estimates committee, I want to assure the members that we intend to catch up with all the responses, including the most recent by Ms. Forster.

Just by way of introduction, I would like to say that since I was appointed the minister four months ago, I have made every attempt to understand this ministry, with its complexities. As we've heard from the questions, there are a lot of very precise details involved. Sure, they need to be pursued and we need to be assured in every case that, first of all, we're helping vulnerable people to the extent possible, and that we're doing it in a fiscally responsible way in terms of their eligibility and that sort of thing.

I've been most impressed by the front-line workers. I've had the opportunity to visit, as I mentioned this morning, OW, ODSP, women's shelters, employment agencies, Community Living agencies, as well as unveiling the plaques at both Huronia and Southwestern Regional Centre, known as Cedar Springs. At all times, I really have been incredibly impressed by the dedication of the workers, especially in the developmental disabilities sector. When you ask, "How long have you worked in this group home?" you get responses like "15 years"—that seems to be the norm. I really want to emphasize that because with the deinstitutionalization, I think there were fears on the parts of relatives and maybe the system as a whole: Would we be able to appropriately house those individuals? Everything that I've seen has really reinforced that we have transformed the developmental disabilities sector in particular. But we obviously have a lot more work to do.

I'm going to go back to the questions that were posed this morning because there was a lot of interest in the new SAMS, the new computer system that's going to go live on November 11. We had an overview from ADM

Richard Steele a little bit as to what has gone into the training of staff and preparation for this handover, but the man on the ground who has been leading this over the last few years is ADM Martin Thumm. I'd really like you to hear from him in terms of this transition to the new computer system.

Mr. Martin Thumm: Thank you, Minister. I should say that this is an extremely exciting time for myself and my team. We are deploying this new technology over the next couple of weeks.

In terms of a bit of context first: The legacy system, the service delivery model technology, is an antiquated system. It is 14 years old. It was custom-built and it's highly dependent upon notes. What that means is that caseworkers have to enter a lot of open text throughout the case management system to record what and why they're doing what they're doing in terms of their case management with clients.

The social assistance management system, or SAMS, is a modern, commercial, off-the-shelf application and it's based on Cúram. Cúram, for those of you who are unaware, is the world leader now in human services applications. It's used across the world in many jurisdictions—south of the border, in Australia, New Zealand and Europe—for human services applications, including a lot of income support programs, as we're using it here.

It is data rich, it is highly automated, and that really means that caseworkers don't use notes. They don't put in notes; they put in data. That forces a lot more consistency in terms of the application and the calculation of benefits for all of the programs. That definitely enhances program integrity.

This new system is also a lot more adaptable to change. The old system, the SDMT, just as an example, when this government went to put in their first rate increase in 2003, unfortunately that took nine months to promote in the legacy system, SDMT. That shouldn't have been the case; that was the case. It was a custom-coded system. That change in SAMS today would be an administrative table change that could literally be done overnight. We would have to test that, so it would take longer, but the change itself is that simple.

This is, most importantly, going to lead to a lot of improvements in customer service. The minister has already talked about the client portal. That's going to give our clients 24/7 access to their case information. It's going to allow them to report income online. It's going to allow them to make changes to their circumstances, and it's also going to allow them to figure out what's going on with their case, to get information and receive correspondence online.

I can't understate what a huge fundamental difference it is between the two systems. It is a major transformation for staff. We can't deny that. There are 11,000 staff across the province, and what we see is a wide spectrum in terms of the comfort they have to adopting this new technology. Some definitely struggle. There's no doubt about that, and we're there to support them as much as we can. Then there are others who adopt it quite readily.

In terms of what we're doing to support staff, first of all, there were 40 hours of end-user training at a minimum over a 10-week period, leading up to the early summer. So that took people right through the application, end to end, and all of its functionality. Into the summer and up until very recently there's been up to 20 hours of refresher training for all staff, and that's really focused on those areas of the application that are used more commonly and those that staff actually expressed more of a difficulty with after end-user training.

We also have actually been able to put the application itself in all of the offices across the province. For the past three months, the application has been available for staff to go into and actually use the application, try out different tests on it, and management has generally had ways of making time available for staff to go in and spend a few hours every week in that environment.

In ODSP, we've increased the staffing complement by 47 to help with the workload over this transition phase. In Ontario Works, similarly we provided additional administrative funding to all of our delivery partners so that they can also ease the burden on their staff as they go through this transition.

I think the most important kind of illustration that I have or the most successful initiative that we've had in terms of developing staff in SAMS is, we've been able to actually cycle through over 700 caseworkers in our testing centres. So we have a testing centre in Toronto. We had one in Sault Ste. Marie and one in Hamilton. Caseworkers actually support us in application testing and validating data conversion and in user acceptance testing. What we've seen consistently is that once staff are in that training centre for a week and they've been hands-on with the application for a week, they get it. They get to that point where they understand, "Okay. Now I understand why I don't have notes. I understand how to navigate around the system, and I understand why it's got so much data that's used to calculate those outcomes." Those are really the people whom I call "converted." Often they help to relieve a lot of the anxiety of their colleagues when they go back to their home offices.

In terms of staff engagement, because I know that was another one of the comments and questions, that's really been a cornerstone of this project. We've had extensive staff engagement over the past four years. Staff have been engaged right from the actual design of the applications, validating the business requirements and right throughout the build. We've surveyed staff twice. So across the province we've surveyed our ODSP workers and also provided those surveying tools to our Ontario Works delivery agents, and the results that we've gotten back from staff have actually resulted in some adjustments that we've made to the training and the refresher.

I've personally been out across the province three or four times over the past three years. I've engaged with over 300 staff, and while I do have an opportunity to meet with senior managers, managers and supervisors in our delivery agents, it's really the staff that I value the most: meeting them, talking to them and getting their

perspective. I will say, the one thing that I always tell them is, "Do not pull any punches," and they don't. They tell me what they think, so they certainly do have the opportunity to tell us. We hear some brutal realities, of course, because of that spectrum—people who do have a lot of anxiety and are struggling with the learning.

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I will say that I tell them that they don't need to know everything on day one—I think that's really important, and we really reinforce that with our delivery partners and with staff when we talk to them—that there's going to be a lot of tools and supports for them. It's actually those engagements with staff that help us to develop those tools and supports. We listened to what they tell us, what they would like. We've developed job aids. We've developed placemats that they can put on their desks where they're going to get a good illustration of how SAMS works and what the common areas of functionality are that they need to know from day one.

Ultimately, this is going to be easier for staff. We know that when people get that comfort and familiarity, it is easier for them to use. It is highly automated; it is more consistent. There's also a lot of streamlined business processes. One example is that today, when SDMT, the legacy system, sends a letter—and there is a lot of correspondence to over 600,000 cases—a duplicate letter is actually created on paper and delivered in boxes to the local offices, and those staff actually have to file those duplicate letters back into the master files for those cases. SAMS will just produce those electronically. Those will be linked to the case; those will never be printed. That's just an example of the kind of business streamlining that this presents.

Then, of course, there's also the portal. We're not going to be implementing the portal until early in 2015 so that our caseworkers can just get used to the system before they start getting calls from clients who are using the portal. But once we get that uptake, that's also going to make it easier for staff, because a lot more of their clients will be finding out information on line. They will be reporting income, and they will be changing circumstances themselves.

The other point I want to make is that these efficiencies are not intended to reduce the number of staff. What it will do is give staff more time to spend face to face with their clients and really working towards real outcomes rather than just doing casework.

I guess the last point that I'd like to make is just on the deployment itself. Obviously, this is an extremely complex and very broad implementation. There are 250 offices across the province. We're certainly never going to be more confident than we are now in terms of our readiness for this implementation. There have literally been thousands of person-days of testing: system testing, application testing, testing the performance of the system, user acceptance testing.

There are a couple of tests that I would like to highlight just to make the point in terms of our confidence. We've actually done seven full data conversions, so that

means taking all of the data from legacy and converting it into SAMS and running tests and validations of that. That obviously gets better every time, but the last few tests have actually surpassed the metrics that we had set in terms of the accuracy of data conversion that we needed to hit. With each one of those data conversions, we have run a parallel pay run. We run 600,000-plus payments out of SDMT and then the same number of payments out of SAMS with that converted data and actually do a match of all of those payments, and that has improved every time. With the last parallel pay run—that is, the one that we're going live with—we are down to under 1% of those payments where there's actually a variance. That's all being managed with our delivery agents in terms of them receiving that information and knowing that they have to go into those cases and take some action before the first pay run.

The other thing is that we have retained the capacity that we have in terms of the development and implementation of this project for several months post-implementation. We have the full project team; we have all of our vendor partners, particularly IBM. We have retained the full IBM development capacity for post-implementation so that we know that we can be highly responsive to issues as they come up, particularly those that might have an impact on clients' entitlements.

Hon. Helena Jaczek: Thank you very much. I hope that members of the committee will find that reassuring as we go live with SAMS November 11.

Mr. Randy Hillier: Easy to remember, I guess.

Hon. Helena Jaczek: There were additional questions related to the 2010 Auditor General's report as it related to FRO, our favourite subject, specifically staffing issues and so on. We did point out, in the review in 2012 that the Auditor General did, that it was noted that there were significant improvements. But I thought it might be worthwhile to just elaborate a little bit further than we actually did this morning in terms of what has happened since 2010 so people have a fairly clear picture of the progress we've made from a call centre model to this client-centred responsive model that we have put in place, so you get a picture of what we're trying to do. We are trying our best to improve the system.

I'd like the deputy to just give us a bit of an overview of what's happened over the last four years.

Mr. Bohodar Rubashewsky: Thank you very much, Minister. A significant part of our work in the Family Responsibility Office has been, to the extent possible, to utilize the resources that we do have available to us to core services and core activities. Some of the modernization initiatives that we undertook, we spoke to earlier today. However, a few that I do want to reference—and again, these are initiatives to move activities out that could be done by others more effectively and more efficiently than we can do ourselves, as well as allow the resources that were formerly occupied to that activity to be used for registration of cases, financial adjustments and enforcement.

One that we undertook, and I referenced it this morning, was the transfer of our activities around simply

processing documents, both incoming documents and outgoing documents. Incoming documents require the program to obviously take them in to digitize them, scan them and index them so that they can be attached to the cases and so that our caseworkers can use that documentation in either responding to clients or making decisions around cases. We moved that activity over to a specialized centre of excellence in the Ministry of Finance, the Oshawa operation, that is responsible for processing tax payments as well as any provincially related tax forms; we get about 500,000 documents annually.

We used to, prior to November 2011, have technology that was probably—if you have a home office, you probably have better technology than we had: scanners, very rudimentary scanners, and almost 20 people simply involved in doing this work, because obviously these documents are very important to get on to a case and to attach to the correct case. The Ministry of Finance does that in a highly automated way. It used to take us, on average, 30 days to process this incoming correspondence end to end. The Ministry of Finance does it for us within 48 hours with almost 100% accuracy. That's a service expectation that we have of them.

As I said, there were almost 20 staff who were involved in this activity. We do provide the Ministry of Finance with an operating subsidy because it costs them money to do this work, but we were able to retain the staff or the positions within the organization and we redirected those resources to additional enforcement, but also to the establishment of a client outreach unit. We had piloted an outreach to new clients in the early 2000s on a temporary basis and weren't able to continue it. With these resources, we were able to establish this unit again in late 2011. When a case comes to us for registration, if the address information is unclear or that kind of information is unclear, we perform a trace-and-locate to attempt to confirm the location, in particular, of the payer, and we make an outreach call to both the recipient and the payer to introduce the program to them and to clarify the obligations that both parties have to the Family Responsibility Office. In the case of the payer, it's his or her obligations under the court order—and we articulate the consequences that could occur if those obligations aren't fulfilled. On the side of the recipient, it's to provide us with timely information about his or her own location, as well as information that might be helpful to locate the payer if we can't make that contact.

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We have confirmed income source information through those calls, the payer actually volunteering where he or she is working, so that we can attach wages at source. Since the establishment of that unit, we have contacted over 23,000 new clients. It is a way to start them out in the program in a fashion that, hopefully, encourages compliance.

Financial adjustments of cases is a very important feature of our work. We conduct over 60,000 such adjustments a year. These are adjustments due to varied court orders. Some of these are very complex. They can go

back retroactively over months or even years. They really do establish, on the one hand, what the recipient fairly should get under that court order, but on the other hand, what the payer should fairly be paying.

Again, we used to average about 30 days, if not more, to take in these adjustment requirements and to actually do the work. We're completing them within 10 days, 80% of the time, and within 30 days, 99% of the time, because there are occasions when the adjustments are unclear due to ambiguity in the court order.

Those are a couple of the areas. Again, we want to make the organization, and we have tried to make the organization, more responsive than it has been in the past.

We do make an effort to measure ourselves against other jurisdictions and other similar organizations. The comparisons are very difficult to make. As I mentioned this morning, in Canada we are the largest jurisdiction. We have the largest caseload by far—Quebec is second; British Columbia is third—so comparing us to the majority of Canadian jurisdictions is really difficult. It is around scale. If you have 15,000 or 10,000 cases to manage, it is less complex and it is a different kind of environment to work within than 180,000 cases.

We do try to measure ourselves against Canadian jurisdictions that are at least a little bit larger than completely small. We classify those as provinces that have caseloads of over 20,000. We also measure ourselves on a North American-wide basis. The measure that we use is jurisdictions with caseloads of over 135,000 cases—we have 180,000—primarily in the United States. Again, the order of magnitude of the efforts required to enforce cases and manage cases is a little bit more comparable when you look at that kind of threshold.

Among those jurisdictions, those over 135,000 cases across North America, we outrank all jurisdictions in collection of dollars per full-time-equivalent staff member. These are not just our enforcement officers. The measure that we use is all staff within our organization, comparably, because that's the comparator that is available through the United States Office of Child Support Enforcement.

We collect more than any other jurisdiction of that size—it's about \$1.48 million per FTE—and we collect more support per program expenditure dollar than any other jurisdiction of that level. It's about \$12 per dollar spent.

It's a similar comparator across Canada among jurisdictions that have over 20,000 cases, and there are only four that do: ourselves, Quebec, Alberta and British Columbia. All other provinces are smaller in order of magnitude. That's not to say that we rest on those comparisons: \$2.1 billion is a significant amount of arrears. It is in the context of \$12.5 billion collected since the program's inception. But we are comparable to or better than other jurisdictions in many respects.

The arrears per case, which is another measure that can be used—when you look at the three jurisdictions in Canada of that order of magnitude, above 20,000 cases,

that do not write off arrears—that's ourselves, British Columbia and Alberta.

Quebec writes off arrears. If they do not receive a payment on a case that has ongoing obligations and arrears within a two-year period, they will remove those arrears from their count. If there are no payments and no arrears, they'll write off after one year. If there are payments made on the case subsequently, they'll put the arrears back on. But they have a variety of ways and they have the latitude to write off arrears. We do not. Even if the payer is deceased, we do not write off those arrears, because there is always the potential for us to pursue a collection of arrears from the estate of a deceased individual.

On that basis, our arrears per case are roughly \$11,600 or \$11,700. That's a little bit lower than British Columbia and Alberta. We did this comparison using the figures that were published by the CBC. Alberta's is almost \$11,900 per case and British Columbia is \$12,300. In both those cases it does cost more for those programs to collect every dollar.

We continue to look at ways to make the program more effective. We are looking at other jurisdictions, primarily in North America, and looking at the way that they actually approach different types of case profiles—cases that are in arrears at an early stage; cases that are very, very hard to collect on—and we're looking at best practices in other jurisdictions as well as using the analytical capabilities that we have in the Ministry of Community and Social Services—

The Vice-Chair (Miss Monique Taylor): Two minutes left.

Mr. Bohodar Rubashevsky: Thank you—to look at whether we can segment our caseload in a way that's more effective, whether we can employ strategies that are more effective, depending on the different profiles of the cases.

It's always hard to figure out what works and what doesn't work, because oftentimes we employ multiple and simultaneous approaches to enforcement. But we are looking at any avenue that we can, to improve the organization.

That being said, enforcement is a challenging exercise, because we are balancing competing considerations: our responsibilities to the recipients, because of the court orders that they have, but also the legitimate ability of payers, under the circumstances that they find themselves in at times, to be able to pay their obligations.

We're compelled to ultimately enforce the terms of the court orders that we have until such time as they are varied. But by the same token, we do not want to take a punitive approach to enforcement, to punish payers rather than finding ways to encourage them to provide what they are able to pay, as opposed to what they have no possibility of being able to pay. We can only do that on a temporary basis with the discretion that we have, but it does form some of the challenge that we face in this program.

The Vice-Chair (Miss Monique Taylor): You're done?

Mr. Bohodar Rubashewsky: Yes.

The Vice-Chair (Miss Monique Taylor): Okay, good. Thank you. We'll move on to the official opposition: Mr. Harris.

Mr. Michael Harris: Thank you for that. I guess that approach, although difficult, may be part of the problem in why there are so many arrears—that deadbeat dads are simply taking advantage of you for perhaps that approach.

My question is: In the AG's follow-up report in 2012, they found that the total amount of support payments in arrears as of December 31, 2009, was \$1.6 billion. I believe we talked about it being \$2.1 billion. That was an actual increase of 23% from 2003.

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They said your office had minimal information on the balance and could not provide them with the individual balances that accumulated to that total, or which portion of this balance was deemed uncollectable. I'm wondering if you can provide to the committee—the \$2.1 billion: You talk about it being cumulative, but is there a breakdown that you could provide to the committee of that to actually reflect that?

Mr. Bohodar Rubashewsky: Yes, I could—

Mr. Michael Harris: You don't have to give me the answer now. If you have it, could you just provide it to the committee?

Mr. Bohodar Rubashewsky: Okay, very good. I can give you just a flavour of the profile of these arrears. And again, some of the challenges—

Mr. Michael Harris: I guess I'm just curious on if you could provide—the \$2.1 billion, if you can get us the breakout on that it would be helpful. Because I'm sharing my time with my colleague today and I know there are some folks that are definitely interested in some of your other answers. So the enforcement piece is something we've definitely got to go back to.

I wonder if you can explain your work with other ministries, especially, perhaps, the Ministry of Health—I believe you're working with now. How is that going? They talk about the Ministry of Health, as well as MPAC, being fruitful in the enforcement piece. How is that going?

Mr. Bohodar Rubashewsky: You are likely referring to the Auditor General's report and his recommendation at the time to work with the Ministry of Health to expand FRO's ability to utilize the health card database for trace-and-locate purposes. At the time, in 2010, we had very, very limited access to that database; it was a very limited number of inquiries that we could do. Since that time, we have worked very collaboratively with the Ministry of Health and established real-time access to that database.

Mr. Michael Harris: You have unlimited access now.

Mr. Bohodar Rubashewsky: Unlimited access; in fact, in July of this year—the access originally was unlimited but restricted to our specialized trace-and-locate unit, and there were, I think, eight or nine individuals who had access—

Mr. Michael Harris: Seven, it said, but whatever.

Mr. Bohodar Rubashewsky:—seven; that's right. In July of this year we actually expanded access to all of our enforcement officers, so they now have—

Mr. Michael Harris: And they're frequently using that at their disposal?

Mr. Bohodar Rubashewsky: I certainly hope they are—

Mr. Michael Harris: I agree.

Mr. Bohodar Rubashewsky: We actually have a requirement with the Ministry of Health to monitor how that database is being used. For their purposes it's to ensure that the database is being used with integrity; for our purposes, it will allow us to see how much it's being used and what its effectiveness is.

Our staff have found it's much more effective than other databases, simply because when patients do come into doctors' offices, they do provide that information.

Mr. Michael Harris: Yes, for sure.

The other piece I hear about a lot in our offices is that when there's a garnishment of wages by employers they can be extremely slow in forwarding the payments to FRO on behalf of the payer, really despite court orders directing those monthly payments.

I'm just wondering: What relationship do you have with employers, or what mechanisms are there that we can get those employers to forward those payments faster? Why does it take so long, I guess is my question?

Mr. Bohodar Rubashewsky: First of all, our legislation—and this is the case across all the jurisdictions that I'm aware of—does not require, nor should it require, an income source, an employer to deduct support from an employee's pay before the support is actually due. So when the support accrual occurs at the beginning of the month, the actual support amount is garnished from the pays that occur after that obligation per the court order. And depending on the pay schedules of different employers—some of them remit to us on a biweekly basis—we do give them the discretion to remit within 30 days. It's a recognition that pay schedules are different; their scale is different. Small employers, because of the accounting that's required, might have more difficulty to do so more frequently than on a once-a-month basis. The legislation does provide that latitude, but within 30 days they must remit the amounts that are ordered through our support deduction notices.

Mr. Michael Harris: And are there those out there who delay post the 30?

Mr. Bohodar Rubashewsky: Some do. We contact them immediately when they do. If they persist in either not remitting—it could be for one payer or it could be for multiple payers—the full amount or not remitting at all, we have the authority to take them to court to have a judge order them to comply with the support deductions notices.

Mr. Michael Harris: How often has that happened perhaps in the past?

Mr. Bohodar Rubashewsky: It happens very infrequently because we contact income sources and convince them, short of actually taking them to court, to

comply. In many cases, it is through lack of knowledge. We do a lot of outreach. We provide a lot of information when we send what we call support deduction notices to employers and what the requirements are. But it is an issue of education oftentimes as much as reticence on their part.

Mr. Michael Harris: Sure. ODSP recipients who also have an active FRO case: Their support payments would be sent by FRO to ODSP to be distributed. Why is that even necessary? Why does that even happen?

Mr. Bohodar Rubashevsky: Minister?

Interjection.

Mr. Bohodar Rubashevsky: When a recipient is on social assistance and they are not—well, first of all, if they are receiving support payments on a regular basis, whether they're eligible or not for social assistance will depend on whether they're eligible, because child support is included as income for purposes of determining eligibility.

When those support payments become either infrequent or do not occur and a recipient is compelled to go on social assistance as a result of that, social assistance payments are made. But for the period in which they're on social assistance, should we collect funds from the payer, those amounts are remitted to the social assistance delivery agent to offset the cost of either ODSP or OW provided to that recipient. When payments do start again and the individual is not required to be on social assistance, then those payments obviously go to the recipient. We—

Mr. Michael Harris: So—go ahead.

Mr. Bohodar Rubashevsky: We have a requirement to offset, as I said, the cost of social assistance and to recover those funds from the payer rather than flowing them to the recipient. We do, as a matter of course, however, deal with those arrears at the end of a case rather than at the beginning. We do not cut a recipient off because we're collecting from—

Mr. Michael Harris: I guess here, if a child support recipient leaves ODSP, the office is responsible for informing the Family Responsibility Office to stop forwarding payments. The Ombudsman did find this year that ODSP was unknowingly holding almost \$1 million representing at least 350 assignment cases that were no longer active. Obviously the mandate is on ensuring that we're helping our most desperate citizens, not strip them of the resources that they're entitled to. How could the ODSP not realize it was accumulating such assets? And what are you doing to fix this problem, perhaps?

Mr. Bohodar Rubashevsky: I can answer part of the question and then Richard, as the assistant deputy minister responsible for social assistance operations, can add some more.

The Family Responsibility Office triggers either the flow of funds to social assistance delivery agents or ends that flow and has the flow go to the recipient on the basis of the office itself, the social assistance office, indicating whether the individual is no longer on social assistance. When those terminations do not occur on a timely basis,

then we continue to flow funds to the delivery agent, but because there's no social assistance being paid, those funds are held. As it transpired, there were, as you noted, significant funds held which should have been released when the individual was no longer collecting social assistance.

1700

The connection of information between FRO and ODSP offices and OW offices is highly manual at this point. As Richard alluded to previously, we need to get better at streamlining that process and ensuring that those assignments are cancelled on a timely basis. We are working through business processes at this point, and I'll point to Richard to—

Mr. Michael Harris: Working better with other ministries, especially the one in particular. So I'll cut it off there because I know my colleague has got nine minutes.

Mr. Bill Walker: Great. I'm going to ask for a couple of things that I don't need a response to, but if you could provide them in writing, it would be wonderful.

One would be the survey of the measurement against other jurisdictions; Canada and North America would be helpful. The arrears per case, the average cost per case, those types of things would be very helpful, to do that.

Your Good Parents Pay website: My understanding is that about \$470,000 have been collected from 62 parents over seven years. What I'd like to understand is what kind of cost you're putting into maintaining and administering that website versus the return: what type of dollars we are getting back on an annual basis, what it is costing to run that website on an annual basis, so we can really see whether there's value for money. Certainly, it's a nice option to have for people to be able to voluntarily, but I think the reality, when you're looking at \$2.1 billion in arrears, is that we're not getting there too fast from that perspective.

I think there's some information that we can try to find in regard to the whole FRO caseload. I'm reading that, on average, there are about 1,377, versus 300 to 450 in the other couple of large provinces. I'm understanding that the caseload actually went from 180,000 to 190,000. So at some point I'd like to understand: What's the plan to get that number down? You can't necessarily control how many are there, but the workload—it seems to me pretty untenable for anyone to have 1,377 cases and realistically expect that they're going to drop that down to a fairly significant number.

We've talked a lot about a couple of different areas and I want to move a little bit into the whole area of adults living with aging parents. It's something that I certainly experience in my riding. I've got some personal situations where I've known families and they are at that point where Mom is turning 92 or 93. The child that they've been able to support at home is 60 or 65 years old, but somewhere down the road that's not going to happen. I certainly have concerns. I've heard a number of times in the presentation and reading the materials that there is \$810 million that is going in there.

In March, the deputy Ombudsman stated that “there is too much bureaucracy and not enough service. They feel like they are facing endless waiting lists”—back to what I was just talking about. So I’d like to have a breakdown of where that \$810 million is going and what exact, specific areas it’s being directed to—again, not necessarily today in an answer, but if you could provide that to me in writing so that I understand where those are going, where you’ve allocated those estimates, so I can go back to my people and have that discussion.

Hon. Helena Jaczek: I think we could probably do that right now, but—

Mr. Bill Walker: That’s okay. I don’t really need that because, Minister, I think we’ll get limited on the questions and I have very limited time with all of the things that need to be covered. I appreciate it, but I think, as long as I can get that—it also gives me time to digest it and really understand it.

Hon. Helena Jaczek: We’ll make a note, yes.

Mr. Bill Walker: The other is, I think, what I’d like to really understand on behalf of my colleagues, certainly in our caucus, and I trust maybe the third party, and maybe even members of the government would like to know: How many people are currently being served in the adults living with aging parents? What are the wait-lists? So how many people are currently getting service from your ministry and how many people are on wait-lists for it? I’d like those broken down by riding, if we could, because it would be really helpful for us to understand and know where people are at, what type of planning we can do in regard—and if you don’t have those numbers, then it’s something that I think we need to be looking at, because if you’re planning and you’re doing budgeting and you are not looking at it on a geographic area, how do I then best serve the people of my area or at least answer them on your behalf?

Hon. Helena Jaczek: They’re definitely collected by geographic area, but through the Developmental Services Ontario office.

Mr. Bill Walker: Well, that’s at least a start. If we can at least get that by geographic area, then we may ask you at some point to do that further, because again I think it’s important and that’s the type of thing that I’m being asked by my local media and certainly the people: What type of resources are coming in here versus other areas across the province?

One of the things we hear in government a lot is “equitable,” and that’s certainly a laudable goal to try to achieve. But I’m not certain “equitable” necessarily means identical—same for same—and people sometimes get misconstrued, misrepresented, and I think it’s good for us to be able to do some of those types of things. These wait-lists continue to be a burden, Minister. I can only imagine that it’s one of those things where you have a concern. I’m going to quote you. At some point, you said these wait-lists “cannot be eliminated within 12 months,” although I believe the committee said that that’s what should happen and could happen. I’m not asking you, again, to regurgitate that or refute that, but I think it

needs to be put on the record again that that is the biggest thing that I certainly hear from my riding, and my colleagues across our caucus are certainly telling me, again, about that family member who truly is getting to the point where, “I can’t do this anymore. I cannot put the self-service at home. What’s going to happen with my daughter or my son? What am I going to do? Where are they going to end up?”

We hear horror stories in some cases that, actually, police are coming in and handcuffing that adult and taking them away to a hospital, because that’s their only recourse. There is nowhere else for them to go. They’re sitting in certain facilities that are not designed for that person who is 40 years old and has some challenges. They’re being put in an old-age home, because that’s the only thing there.

I know you well enough that I know that’s a struggle as much with you as it is with me, and particularly more for the people who are in those situations. I think what we really want to see—we truly want to open the door to say, “How is that being addressed?”

If it’s not able to be done in a year, then I think what the people of Ontario need to hear is, “I have a very credible plan, and I have a goal.” It’s a defined goal of a time period. We may challenge you on what that time period is. I think the people, certainly, in these circumstances may challenge you if it’s beyond the year, because someone at least has put that thought in their head. But I think what we need to be is credible and say, “We have an absolute plan. We are addressing this.”

I think it goes back to a lot of the ways we look at how we’re doing government. Can today’s current programs and services, and the way they’re being delivered, truly meet those goals? If they’re not, then I think we want to hear the answer from you, as the minister, of what you are truly prepared to do to change that approach to some of those types of situations that we’re experiencing.

Hon. Helena Jaczek: I do want to reassure you that everyone on a wait-list has been prioritized in terms of urgency. We do have a plan. The assistant deputy minister has been working diligently, since she joined our team, to ensure the kind of consistency you’re concerned about. But we do need to build some capacity into the system in order to get rid of those wait-lists.

It’s my goal that we move as fast as we possibly can. We are a little bit ahead of schedule at this point, which is good news, in terms of what we’ve been able to achieve, especially with the direct funding for Passport and special services at home. But we can give you a little bit more of a fulsome answer, obviously, as you’ve requested.

Mr. Bill Walker: I’d like to visit for a second, if I could, really briefly this morning, your former Minister of Finance, Dwight Duncan. He questioned it: “Why are we in the business of collection? Why are we doing this?”

I, again, would like a breakdown of the cost within your overall budget to do that collection piece. What truly is the cost of going out and trying to do that collec-

tion within your service? Let's open it up and let's forget the partisan stuff and say, "Is there truly a better way to do this?", so that, again, maybe some of those resources within that ministry can be utilized at the front line of care.

One of the concerns that I hear continuously—whether it's the Ottawa Citizen report that I'm reading, or what a lot of media that are investigating are saying, there are a lot of things happening. The assistant, or the deputy Ombudsman, again, referenced way too much administration, way too much bureaucracy. People need to see that front-line. That's certainly how I come to work every day—

The Vice-Chair (Miss Monique Taylor): Mr. Walker, two minutes.

Mr. Bill Walker: Thank you very much, Chair—ensuring that those front-line services are the absolute first priority that we're doing. Those wait-lists, the arrears—and I get that it's accumulated, but again, why are we allowing those arrears to build? We need to find changes in the process. We need to think lean and say, "What are the wastes in there that we're spending time regurgitating and moving paper, as opposed to truly getting there?"

Those types of things, I think, then show certainly that we're all looking at the same focal points. We're looking at truly those measurements and the outcomes and just a review of whether we are really measuring the outcomes that are going to truly serve the people at the front line, those people who truly need the programs and services across our community services. In my three years, what I am seeing at the very forefront are the people coming through my door, saying, "I can't get my son and daughter. I'm coming to the end of my tenure—my life-line—and I'm really, really, really concerned about where my daughter's going to end up."

When they hear of 23,000 people on a wait-list—they may already say, "Maybe a year is not where I have my expectation," but they may only have four or five years. They don't want to go to their grave, to be very frank, knowing that there is nowhere for their daughter to go.

That's something that I think we all have to show, that care and compassion, and it's helpful, in an estimates committee like this, to see truly where the numbers are going. Is it going to administration, or is the focus really on the front-line care?

Hon. Helena Jaczek: The questions that you've just posed are exactly what I raised at the briefings that I've had over the last several months. The answers that I have heard from the team at the ministry have certainly reassured me that we are going in the right direction. But thank you for that, Mr. Walker.

Mr. Bill Walker: Michael, do you have anything—

The Vice-Chair (Miss Monique Taylor): You've got maybe 30 seconds.

Mr. Bill Walker: Thirty seconds? I guess, then, I'll just put it in the record: One of your colleagues, with regard to the SSSMP new program—I think he referenced a 1% challenge in regard to error, I guess, if

you will. That's going to result in 6,000 people, some of our most vulnerable and our most needy, not getting their cheques.

In a quick line, it sounds very small and insignificant, but to those 6,000 people, that will be perhaps extremely detrimental to them.

1710

I'm not suggesting that anybody isn't doing their best effort. But again, our job here—we're going to hear that on the front lines. Our phones are going to come off the wall—

The Vice-Chair (Miss Monique Taylor): Thank you, Mr. Walker. I'm sorry.

We will now move on to the third party and Ms. Forster for her 20 minutes.

Ms. Cindy Forster: Thanks so much. Minister, you can see that there's lots of interest in your ministry, lots of questions. I'm going to kind of do the same as I did earlier today and ask a bunch of questions, and hopefully we'll get either some written answers or some answers tomorrow.

I'm going to start in the SAMS area. What is the total cost of the social assistance management system, including the training costs, the 18-month delay and the cost of compensating municipalities?

Why are you going to claw back even more from people through the overpayment repayment deductions—you and I talked about this last week—by deducting the overpayment 5%, not just from the basic rates but from the additional allowances as well? There are people receiving special diet allowances and northern allowances. My understanding is that you're actually going to be deducting some of that as well. That really doesn't seem to be a very good idea in lieu of the fact that it's about some healthy supports for people.

Have you had any conversations with officials in Minnesota and Maryland about the problems they encountered with this same system? I think it's called Cúram. They've had a lot of criticism about the flaws in the software. If you've had those discussions, have you taken any steps, made any expenditures or had any correspondence back and forth with respect to that? If so, could you provide us with that information?

What are the biggest risks that you see with implementing the system, which I think is going to begin this Thursday? Is it this Thursday or next Thursday?

Hon. Helena Jaczek: November 11.

Ms. Cindy Forster: Oh, November 11. Okay.

Hon. Helena Jaczek: Remembrance Day.

Ms. Cindy Forster: Finally, today there was a statement from Smokey Thomas, the president of OPSEU, regarding SAMS that was on our email earlier. Some of the caseworkers, and the union certainly, believe that the caseworkers will be spending less time with clients, not more; that the training—

Hon. Helena Jaczek: Ms. Forster, we're hardly having the chance to write this down. I know that there are people here who could provide some insight.

Ms. Cindy Forster: Let me just finish with the SAMS piece, and then maybe you can—

Hon. Helena Jaczek: I think so, because we've had—just to sort of wrap some of that up. That would be very useful, I think.

Ms. Cindy Forster: The training has not been adequate, and in the data system—and I know we have the data system fellow here—just to add a dependent child to a client's file actually takes 73 separate entries.

Those are my questions around SAMS. I look forward to the answers.

Hon. Helena Jaczek: I think, for continuity and for everyone's little grey cells, it might be useful to just have the responses related to SAMS at this point.

Ms. Cindy Forster: Great.

Hon. Helena Jaczek: The total cost—were you able to catch some of this, Martin?

Mr. Martin Thumm: Yes, the total cost is—

The Vice-Chair (Miss Monique Taylor): For Hansard's purposes, so they pick it up, just say your name, please.

Mr. Martin Thumm: Martin Thumm. I'm the executive lead for the project.

The Vice-Chair (Miss Monique Taylor): Thanks.

Mr. Martin Thumm: The total cost of the project is \$240 million. That goes right back to its inception in 2009. That includes the implementation of the online social assistance system that has already been implemented in 2011. So that is all-inclusive.

Ms. Cindy Forster: Training and everything?

Mr. Martin Thumm: That includes all of the costs, including training.

The question around deduction—

Ms. Cindy Forster: The clawback.

Mr. Martin Thumm: The clawback. What that really relates to is, the SDMT did not actually follow policy correctly in that it only recovered overpayments from basic needs and shelter, but the policy actually states that overpayments are a 5% deduction against your full budgetary entitlement, and that does include those other benefits that you alluded to, such as the special diet allowance. We used the opportunity of implementing SAMS to correct that.

That doesn't actually reduce an entitlement. It increases the rate at which an overpayment is recovered. That also means that a client will pay back that overpayment sooner. But on a net period, over a period of time, that isn't going to impact them; it's just that the recovery is quicker.

Say, if someone had a special diet, for instance, and that was \$250 a month, that would mean that the overpayment recovery would be 5% of that \$250 more every month.

Ms. Cindy Forster: So if they didn't have an overpayment in food allowance, it's not going to be clawed back from—

Mr. Martin Thumm: No, absolutely not. That's only for clients that have an existing overpayment, so it's the recovery rate. That's what we're talking about there.

In terms of Minnesota and Maryland, we watch all Cúram applications very closely. I'm actually the chair of the North American user reference group for Cúram users, and I talk with other leads on Cúram projects quite regularly. Both of those—Minnesota in particular—were implementing the Affordable Care Act, and they were up against some very tight time frames. What happened was that they didn't do the testing they needed to do before they implemented, particularly around the client portal and the performance. We were actually just blown away by how much they cut out the testing, and it was largely driven by the time frames that they were required to meet on the Affordable Care Act.

But we did spend a lot of time with both of those jurisdictions, and we did take lessons learned and actually beefed up some of our performance testing. We are implementing this in 250 offices around the province. We can manage our central system fairly closely, but they also have local infrastructure that we rely on, so we've actually tested with much of that local infrastructure as well. Some of that was lessons learned from those other jurisdictions.

In terms of the biggest risks, client entitlement and client services is job one, and that's what we spend the most time on in terms of testing and risk mitigation. I talked earlier about looking at the parallel pay run and ensuring really extensive testing on that.

I will say that when I said that in less than 1% of those there are still deviations in the parallel pay run, it's actually 1,900 payments—I suppose the member who asked that question isn't here right now, but there is a very careful process with the field. There are many caseworkers across the province. It's actually a very low number, maybe an average of two cases per worker or less, where they actually have to go in and look at those cases, but we've highlighted which ones they are, and they have time to do that.

In terms of the letter from Smokey, obviously we've read that, and we take that very seriously. I will say that that comes down to a lot about the spectrum that I talked about where, amongst our end users, the caseworkers, there is a wide variance in terms of how comfortable they are. That's always going to be the case with a large change management like this, and we're doing everything we can to support those who are struggling, and I think that's always going to be case.

That was an interesting comment about the 73 separate steps that it took to issue that one benefit. We actually did do a very detailed evaluation of how many clicks and steps all the processes take in SDMT and SAMS, and when you include the notes that I talked about, the fact that there is so much note-taking in the legacy, it actually does end up being less work and less time spent overall on similar activities between the two applications.

Ms. Cindy Forster: That's interesting, because I actually worked in an agency that moved to a data collection system, and about 25% of the workforce, because of all the entries, ended up with carpal tunnel and there were lots of compensation cases, so you need to be kind of cognizant of that piece.

Mr. Martin Thumm: Right, yes.

Ms. Cindy Forster: I'm going to actually turn it over now to share my time, because Ms. Sattler has some questions for you.

Hon. Helena Jaczek: I just want to reassure you on the overpayment issue, Ms. Forster, because I've been assured that, should there be some financial hardship with the new regimen in terms of the overpayment retrieval, discretion can be used. We're going to look at it, if there's hardship on an individual basis.

Ms. Cindy Forster: Great.

Ms. Peggy Sattler: I had a question specific to the new consolidated employment benefit. The question is: Will your ministry continue to administer the new consolidated employment benefit, or is that responsibility going to be transferred to Employment Ontario and the Ministry of Training, Colleges and Universities?

1720

Hon. Helena Jaczek: My understanding is that we will continue to administer it. I have my officials here. I think perhaps the deputy—can you elaborate a little bit?

Mr. Bohodar Rubashewsky: Actually, I'll ask Erin Hannah, our acting ADM, to elaborate.

Ms. Erin Hannah: Hi. Thank you for the question. The minister is absolutely correct. The Ministry of Community and Social Services, through both our Ontario Works program and the Ontario Disability Support Program, will continue to administer the new employment benefit within each of the respective programs for people with disabilities and people without disabilities.

Ms. Peggy Sattler: Okay, that's great. The next two questions I would like to request a written response to, because they require a bit more detail.

The first one is around the role of municipalities and local service managers. We know, obviously, that they have significant expertise and local knowledge to contribute to the implementation of the new consolidated employment benefit, so we would like to know what consultation, if any, has occurred with municipal service managers and if the committee can be provided with an overview of the concerns that were raised by the municipal service managers. That's the first request for a written response.

The next issue is around funding. In 2010, the government announced a change to funding for the cost of administration of Ontario Works, and at the time, your ministry committed to releasing monthly caseload statistics to municipalities and DSSABs so that they could plan and budget for the work of administration within multi-year budgeting cycles. We have been told that this information is not, in fact, being made available on an annual or monthly basis as promised, which creates difficulties for DSSABs and municipalities, obviously, in their budgeting process. We would like to know: Why is that information not being made available to municipalities? We would also request that you table with the committee the monthly OW caseload statistics for all CMSMs and DSSABs for the past 12 months as well as caseload projections for every CMSM and DSSAB.

Hon. Helena Jaczek: Okay, just a point of clarification on your first point related to the role of municipalities and local service providers: This relates specifically to the area of their role in employment service provision? Is this what you're getting at?

Ms. Peggy Sattler: Yes, and their delivery of the new consolidated employment benefit.

Hon. Helena Jaczek: Okay. In terms of actually working with clients related to employment opportunities, there was some thought to consolidating all employment services within—amalgamating smaller agencies under one Employment Ontario office. This is not what you're getting at?

Ms. Peggy Sattler: No, it's about the role of the CMSMs and DSSABs in—

Hon. Helena Jaczek: In the employment benefit.

Ms. Peggy Sattler: Yes. We're interested in knowing what kind of consultation occurred and what some of the issues that were brought to you during that consultation process were.

Hon. Helena Jaczek: We do have officials here. We can probably answer that very quickly.

Ms. Peggy Sattler: Well, I think we have a number of issues to address. If that could be addressed very quickly, that would be good, but if it's—

Hon. Helena Jaczek: Consultation.

Ms. Erin Hannah: Hi. Yes. We started—

The Vice-Chair (Miss Monique Taylor): Could you state your name for Hansard purposes?

Ms. Erin Hannah: I'm sorry. Erin Hannah, ADM, social policy.

We started engaging with municipalities on the employment-related benefit, actually, prior to it being announced in the budget. We had conversations conceptually about that direction. Since then, we have continued to meet with our municipal partners, both through a technical working group as well as a senior-level provincial-municipal working group. Most recently, we've been sharing information about how we might approach the allocation of the funding—because this will change how we provide the envelope to support the delivery of the integrated benefit—testing out options and getting their feedback on that.

I understand you want a quick answer, so I won't go into all of the feedback that we've heard. But I will say very briefly that, clearly, there is concern about ensuring that we provide the appropriate transition period, ensuring that we provide the appropriate transition period, ensuring that we tie the funding to the size of caseloads, ensuring that we allow for flexibility in the funding model and working with them on an ongoing basis to evaluate the effectiveness of the new approach on employment benefits.

Hon. Helena Jaczek: And on the second point, I just want to make sure that the deputy understands exactly what you're getting at so we can provide—again, Erin, are you clear, or would you—

Ms. Erin Hannah: I am clear.

Hon. Helena Jaczek: Okay? We can get that to you.

Ms. Peggy Sattler: Those were my questions. Thank you very much.

The Vice-Chair (Miss Monique Taylor): You still have five minutes.

Ms. Cindy Forster: Okay. On to ODSP medical reviews. We know that they're necessary, but we believe that the current system is flawed. They can be exceptionally difficult for ODSP recipients because they have to fill out that second package. It's intensive. It can take a long period of time. This year, your ministry is going to do an unprecedented 600 medical reviews per month. That in itself certainly creates work for our constituency offices and is going to create a lot of work within your own ministry as well.

The Commission for the Review of Social Assistance found that the application process for ODSP, which requires applicants to provide detailed medical assessments to provide the severity of their disability, may take months to conclude. What is the current number of cases in the ODSP medical review backlog, and how does that compare to last year?

I'm going to ask a number of questions. Can you provide the committee with the rate at which medical review recipients are no longer eligible for disability supports for last year and this year, and the rate at which those medical review decisions are overturned upon appeal? Is it every case that has a potential for review in the scheme of things, and what is the final target per month for backlog and new cases?

What percentage of applicants or recipients are required to have a specialist assessment, and how is the ministry facilitating that process to actually get people to specialists in light of the fact that many of them come from communities that are sorely underserved with specialists?

In other jurisdictions, there have been concerns about suicides amongst disability benefit recipients who are subject to a medical review and found no longer to qualify. Does the ministry collect any data on the number of suicides amongst persons who are forced to submit to an ODSP medical review a second time after they've been approved initially, and if so, can you provide us with some documentation around that data?

The Vice-Chair (Miss Monique Taylor): Two minutes.

Hon. Helena Jaczek: Okay. I'll turn it over to Erin Hannah, but I do want to say, Ms. Forster, that when I heard about the medical review, I asked to look at the package and go through it. I understand your concerns about it. Obviously eligibility is—it's very important to be assessed. We do have the need to be fiscally responsible. We need to ensure eligibility and we need to ensure consistency, so that form, as you know, is being used consistently.

But I'll turn it over in the last minute or so to Erin to respond.

Ms. Erin Hannah: Thank you. Erin Hannah.

The medical review process, just to start out as a reminder—and the minister touched on this—is really

focused on individuals whose condition might improve. Our goal isn't to try to reassess individuals for eligibility for disability support if there's really no hope that their condition is ever going to change or improve. So I just wanted to put that in that context.

You asked a number of questions, and I'll very quickly go through them. In terms of the backlog, we currently have about 63,000 cases in the backlog. What the backlog actually represents is all of the cases that have a medical review date that has passed. That's the simple definition of the backlog.

In terms of results on how many people were found not to qualify for disability support anymore and how many of those decisions were then appealed to the Social Benefits Tribunal and resulted in an overturn, we have limited amounts of data at this point in time. We actually only restarted medical reviews in February 2013, and because the process itself allows for the client to have time to collect the information—have the package completed with their health care professional; once the package is submitted, there's a period of time to review it—there's also an opportunity after a decision has been made for the client then to go through an internal review and then the appeal process, and we don't cut people off during that period. So it takes some time for us to get outcome data, is I guess what I would state—

The Vice-Chair (Miss Monique Taylor): Thank you, Ms. Hannah. Sorry.

We will now move on to the government, where you will have 20 minutes.

1730

Ms. Soo Wong: I'm going to start the first round of questioning.

Minister, thank you so much for being here today. I want to follow up on your opening remarks from this morning. You said in your opening remarks that your ministry is building a fairer, healthier province because of the support offered to vulnerable Ontarians to make them full and active participants in our communities and in our lives.

In terms of your ministry, can you share with the committee the targeted investment to address those who are most vulnerable, and those who have the lowest incomes, to ensure that these benefits are targeted to ensure these vulnerable Ontarians are getting the services they deserve?

Hon. Helena Jaczek: Thank you, Ms. Wong. As I think most people know, Ms. Wong and I worked for many years together at the health department in York region, and I know that looking after the vulnerable was something that we in public health were always extremely concerned about. We believe that the determinants of health certainly include income security, social inclusion and opportunities for education. These are all extremely important measures to keep our population healthy.

Many of those determinants of health are relatively easy for the majority of our population. For those who perhaps have a disability—whether developmental or

acquired—or those who lose their job, they need help. That's really the whole purpose of this particular ministry, and it's important that we do this.

It's also very important that when we have everyone achieving their full potential in our society they're able to contribute. If someone has income security, they're able to go out and purchase goods and services and be part of society. So helping individuals who are struggling in terms of putting a roof over their head and having sufficient food to eat is extremely important work. That's why we believe in this ministry that we need to continue to invest in the people of Ontario so that everyone can reach their full potential.

But we do not want to lose sight of the opportunities for employment. I've been saying to my ministry officials: To me this is almost the next frontier that we have to challenge, because in terms of those with disabilities especially, and those with mental health issues, gaining competitive employment is often extremely challenging. We're working with employers; we're doing everything we can to reduce that type of stigma.

We do have some champions out there in terms of employers who are actually learning from each other. One champion is an individual with a number of Tim Hortons franchises, Mark Wafer, and he is going to his colleagues in the business community to say, "I hired someone with a disability and you know what? It was great. They were so anxious to come to work, they felt they were contributing. Sure, you may need to tailor the workplace a little bit, and the opportunities to the individual, but it is rewarding work." So that type of inclusion is incredibly important. I've visited a number of places where individuals with disabilities are employed, and the sense of accomplishment in those individuals is really palpable.

Supporting the most vulnerable, providing what we do in terms of social assistance—whether it be Ontario Works, whether it be ODSP—is extremely important.

Our government, as you know, is committed to poverty reduction. The minister responsible is going to be establishing new goals to ensure that there is no more homelessness specifically, and that we take every measure we possibly can in terms of reducing poverty. Our ministry, as I've said several times through the course of the day, is absolutely committed to that work, doing it in the most efficient, streamlined—you've heard about some of the modernization efforts, the computerization and so on—doing everything as efficiently as possible, but ensuring that our most vulnerable do receive the types of supports that they need.

Ms. Soo Wong: Okay. Thank you.

The Vice-Chair (Miss Monique Taylor): Go ahead, Ms. Kiwala.

Ms. Sophie Kiwala: Thank you, Minister, for your previous reply. As you are aware, there is a lot of evidence suggesting that the developmental services system and the people it is intended to serve have been in need of attention and investment. This was certainly something that I became acutely aware of in my work in the

federal office. We shared the same building with the provincial office, and we very frequently saw cases that were extreme and worked on cases that were extremely challenging.

One of the things that became very highlighted during that period of time was families that would come in, and they would have children with disabilities who couldn't even manage a simple office visit. You can imagine—and I know you know this—how challenging it is for those families to even go to the store and buy milk or eggs. So I'm certainly very appreciative of how much we have invested and focused on families who are dealing with disabilities.

The 2014 budget is quite significant in terms of investment for the developmental sector and must surely have been welcome news. In fact, during the election period, many people approached me and said how glad they were that we were making this investment. As many of us heard during the election period, we were spoken about by leaders in the union movement who said that it was the most progressive and social-justice-minded budget for many decades, so I was very, very pleased to see that.

It is an area and a population that the government has recognized is in need of transformation. Obviously, many of us are very happy about that, but can you tell me what the government is doing to reform and improve the quality of support for developmental services?

Hon. Helena Jaczek: Thank you very much for that question. It does relate to one Mr. Walker asked earlier. Of course, this \$810 million over the next three years is one of the largest infusions ever into this sector. We really hope that it will take us to that next step in terms of transforming developmental services in Ontario.

Before I detail some of what we are going to do particularly with that \$810 million, I do want to say, though, that we have transformed the system over the last decade. I think it's worth noting that since our government took office, we have made dramatic changes in this sector, particularly in the last two years, but there was ongoing incremental improvement through the years, so that even if you look at the budget some 10 years ago, about \$1 billion was spent annually on developmental services in Ontario; now we have some \$1.7 billion spent annually on developmental services, and we have committed, with this new investment of funds, that that budget will grow to \$2 billion in 2016-17.

I think the greatest change is the move from large-scale institutions for adults with developmental disabilities into inclusion in the community, and having residential supports for individuals now out in the community. There have been references to elderly parents looking after adult children; and, certainly, a lot of the funding that we intend to invest in the sector is going to go towards housing those individuals who are now perhaps in their 50s or 60s and being looked after by elderly parents. Those situations are clearly urgent.

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We will be able to offer a variety of opportunities in the community, and those can vary from simply living

independently in an apartment unit with support coming in on a daily basis or checking in from time to time, through to group homes and through to pretty intensive residential support as well, with the involvement of the Ministry of Health, the CCAC and so on. We have a very diverse population in this sector. We know that each has a unique need.

We have a program that I'm really quite excited about. It's the Host Family Program. We have some 500 families in Ontario taking in individuals with developmental disabilities to care for them in their homes, which makes them part of a family. They are supported, obviously, in that endeavour.

We have a housing task force that's going to look at more opportunities for inclusion and perhaps look at some of the models that have proved to be the most successful out there, and also to help us manage the wait-list for residential accommodation.

Even this year we're very pleased with this investment. We have some 350 individuals who are in process of transitioning into a residential option suitable to their needs. Obviously, again, dealing with this population, moving to a new home may take some time. It requires visits, acclimatization and so on. But I'm very pleased to have heard that we're working on that first 350 individuals because this investment of the \$810 million will in fact house some 1,400 people who are on wait-lists. I think that's incredibly positive.

I mentioned in my opening remarks about opportunities for direct funding, through Passport in particular, and we're making real progress with that. This is the program that provides additional choice to individuals so that they can choose whether they want to join a municipal recreation program. They have the choice as to what suits their individual needs.

Again, since our budget was passed in July, we have provided an additional 1,900 individuals with Passport funding, which is, again, a little bit ahead of schedule, and we're going to keep pushing to ensure we try to get rid of the wait-lists as soon as we can.

We do believe that we have much better-coordinated assessment in terms of eligibility and opportunities for discovering what's available in a community. This is why we did establish Developmental Services Ontario's 11 offices in 2011. Of course, they are providing consistency—a common application form—and some fairness to the system. They are working with their community partners to ensure that a variety of services are provided in the community.

So in essence what we're doing with this investment is taking our developmental services to the next step. We've talked a little bit about the employment opportunities, and I'm really excited about that particular aspect as well. We do have a specific fund—it has been mentioned—the employment and modernization fund, that will literally tailor work opportunities for an individual.

I was actually in Kitchener, at a wonderful institution, Lutherwood. The caseworker there was literally assessing individuals with disabilities one by one, finding out what

their goals were, seeing if they needed some additional training and what they needed to get into the competitive workforce. In Kitchener, they're way ahead of their targets. It was excellent. I think that kind of local input is very, very important because this individual knew about the employment opportunities locally, was able to talk to employers and get them to check with people who had employed people with disabilities so that they were reassured that this could work for them.

It's very exciting news, I think, for the sector. I have met with many Community Living organizations across the province, and as I understand it, they are really very pleased with this infusion of investment into their sector.

Ms. Sophie Kiwala: That's excellent.

The Vice-Chair (Miss Monique Taylor): Mr. Balkissoon?

Mr. Bas Balkissoon: Do we have time?

The Vice-Chair (Miss Monique Taylor): Yes, you do.

Mr. Bas Balkissoon: Okay, Minister, it's a pleasure to see you here.

As you know, I had the privilege of serving on the Select Committee on Developmental Services with my colleague at the far end, Ms. Wong. We travelled the province from city to city. In almost every city that we went to, we heard from the public that they had concerns with eliminating the wait-lists for those children and adults who meet the requirements for support and weren't receiving it. I'm wondering if you could tell us what has happened since that committee report and where the ministry is going and what we can expect in the next little while.

Hon. Helena Jaczek: Well, clearly the government has responded to the select committee's report on developmental services—all 46 recommendations. I can say unreservedly that the spirit of those recommendations is exactly what the officials in my ministry are working very hard to ensure are implemented.

In terms specifically of wait-lists and some of the commitments that we had made with the additional funding, I can give you a number of figures. Certainly, we will be providing direct funding for approximately 21,000 people.

One of the areas, again, that the select committee was particularly interested in, and Ms. Jones did mention it last week after my ministerial statement, was support for transitions from childhood through to adulthood. Specifically, our investment is going to support more than 4,200 as they do navigate key life transitions, such as going to post-secondary school or getting a job. Our ministry, and actually my parliamentary assistant, through her mandate letter—I believe public today—has been charged with working specifically with the Ministry of Education and the Ministry of Children and Youth Services to ensure that those transitions—

The Vice-Chair (Miss Monique Taylor): Minister, two minutes.

Hon. Helena Jaczek: I'm so disappointed.

I understand school boards are already signing on, because we need parents to be really aware that we want to start planning very, very early. For those who have a developmental disability, it was alluded to that often the course can be fairly predictable. We can probably start some planning around age 14 and ensure that there is a plan in place for each individual in terms of opportunities for training that helps the individual to reach employment. We want to get as much planning done in advance as possible.

As I mentioned previously, we intend to provide residential support for an additional 1,400 people. I mentioned the host family opportunities, the supported independent living programs. All of these will be supported through this additional investment—again, funding for front-line workers, which is a piece that is also very important.

I mentioned the dedicated workers that I've met. We've certainly enhanced their training opportunities to be a DSW, but we want to ensure that in fact they are compensated additionally. Those negotiations are ongoing as we move forward to implement some additional \$200 million over three years for support of front-line workers.

Mr. Bas Balkissoon: Minister, if I could just give a quick comment. You mentioned that your parliamentary assistant would be working with the Ministry of Education. I would ask you to also consider the Ministry of

Training, Colleges and Universities, because I have had some students coming out of the high school system—

The Vice-Chair (Miss Monique Taylor): Thank you, Mr. Balkissoon.

Mr. Bas Balkissoon: —and they want to go to community college, and there is not enough space.

The Vice-Chair (Miss Monique Taylor): Thank you.

Hon. Helena Jaczek: We will do that.

The Vice-Chair (Miss Monique Taylor): Okay. It is now 10 minutes to 6. We are expecting the bells to be ringing at any time for a vote. I'm going to test the room to see if the official opposition would like to start your time or whether you would like to adjourn at this point and start fresh tomorrow.

Mr. Randy Hillier: It's probably reasonable to adjourn now and start—you know, the bell will ring any time now.

The Vice-Chair (Miss Monique Taylor): Okay. We will do that, then. Thank you to the ministry.

I have a housekeeping matter. I believe we have an agreement not to bring the Ministry of Energy in tomorrow for possibly only 10 minutes, I believe it would be at this point, and have them return on the Tuesday following constituency week, which would be November 18. Are we in agreement? Agreed.

Okay. Adjourned. Thank you very much.

The committee adjourned at 1751.

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Standing Committee on Estimates

Ministry of Community
and Social Services

Comité permanent des budgets des dépenses

Ministère des Services sociaux
et communautaires

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STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 5 November 2014

Mercredi 5 novembre 2014

*The committee met at 1557 in room 151.*MINISTRY OF COMMUNITY
AND SOCIAL SERVICES

The Vice-Chair (Miss Monique Taylor): Good afternoon, members. We are here to resume consideration of the estimates of the Ministry of Community and Social Services. There is a total of one hour and 55 minutes remaining.

But before we resume consideration of the estimates of the Ministry of Community and Social Services, if there are any inquiries from the previous meetings that the ministry or the minister has responses to, perhaps the information can be distributed by the Clerk at the beginning in order to assist the members with any further questions.

Do you have any items, Minister or Ministry?

Hon. Helena Jaczek: We do not.

The Vice-Chair (Miss Monique Taylor): When the committee adjourned yesterday, the government had completed its 20-minute rotation, so I will turn the floor over to the opposition for its next 20 minutes. Mr. Hillier.

Mr. Randy Hillier: Thank you, Minister, for being here today. We have 20 minutes. My questions will be concise and brief, and I would respectfully request that the answers be brief and concise. If you're not able to answer the questions, then we will move on to the next one.

Minister, I was going through the public accounts for 2013. I have counted approximately 770 transfer agencies that your ministry deals with that received funding greater than \$120,000 in 2013-14.

There's also an unknown number of transfer agencies that received monies of less than \$120,000 per year. Could you tell me how many other transfer agencies are part of your ministry, or that your ministry funds, and that receive funds of less than \$120,000 a year?

Hon. Helena Jaczek: I'll be turning that question over to the deputy.

Mr. Bohodar Rubashewsky: Mr. Hillier, I'll have to take that back.

Mr. Randy Hillier: Okay. Could you provide that to the committee afterwards?

Mr. Bohodar Rubashewsky: Yes.

Mr. Randy Hillier: Minister, a significant portion of your budget is in transfer agencies. That is, by and far, the greatest amount.

I would like to ask you how many employees are tasked within your ministry to monitor and evaluate the efficacy of these transfer agencies.

Hon. Helena Jaczek: Certainly, transfer payment agencies are vital to the work that this ministry does, as I'm sure you're aware. Our ministry is basically one of partnerships with many different organizations, as you pointed out.

Mr. Randy Hillier: Do you know how many employees are—

Hon. Helena Jaczek: We will turn to the people who have the detail, and I'm sure that will be momentarily forthcoming.

Mr. Randy Hillier: Okay.

Hon. Helena Jaczek: We have a list, actually. Do you have a sum total, or would you like to read the list?

Mr. Bohodar Rubashewsky: Not in terms of governance and oversight, because we have staff, both in corporate offices as well as in the regions, who are involved—

Mr. Randy Hillier: Are any of your employees tasked specifically with monitoring the efficacy of the work that it does and the money that is expended by the transfer agencies?

Mr. Bohodar Rubashewsky: Yes. The answer is yes. Within our regional offices—and the regional offices span both the Ministry of Community and Social Services programs and the Ministry of Children and Youth Services—we have staff who are program supervisors, responsible for oversight of transfer payment agencies, either in a particular program area or otherwise; as well as people in business units at the regional and corporate level who oversee transfer payment contracting.

Mr. Randy Hillier: If you could provide that to the committee after, if there is a number that are assigned specifically to that task.

I want to ask now, do these transfer agencies all provide your ministry and your staff with annual reports and/or audited financial statements?

Hon. Helena Jaczek: Yes, they do.

Mr. Randy Hillier: And if a transfer agency fails to provide that, what consequences, if any, are there?

Hon. Helena Jaczek: Assistant Deputy Minister Chan?

Ms. Karen Chan: Sure. We follow up with the agencies around submitting the necessary materials that they

have to submit, and if they don't, we would follow up to try to get those materials from them. If still they don't, then there would be follow-up conversations that would be taken, first of all, with the executive director, obviously, then with the board in order to move through. If there are ongoing issues, we do have the ability, within the agreement, either to do a separate internal audit that we would send staff in to do work on, or we could actually bring another firm in to help us.

Mr. Randy Hillier: Okay. So in your monitoring of these transfer agencies, do you compile and tabulate not only the services that they provide but also the number of people that they provide those services to?

Ms. Karen Chan: Yes, we do.

Mr. Randy Hillier: Are those public? Are they available to the public, the services that are provided and the number of people that they provide services to?

Ms. Karen Chan: Yes, they would be available to the public. They're not documents that we keep—

Mr. Randy Hillier: I've never seen them. I've looked for them online, and I've never seen them published at all.

Ms. Karen Chan: You're correct; we don't publish them. We are looking at actually being able to do that through a dashboard kind of system in the future, but that's not something that we do right at this moment. But if someone asked for them, they would be provided them.

Mr. Randy Hillier: I ask that question because, of course, there cannot be accountability unless you know what the expected benchmarks are. If we do not know how many people are expected to be provided with services, then there is no way we can measure against and see if we're meeting those objectives.

So you're saying you have that information. You have that information, but the public does not have it.

Hon. Helena Jaczek: It would be available on inquiry.

Mr. Randy Hillier: On inquiry. Would I have to go through a freedom-of-information request, or would you provide that at no cost to me?

Ms. Karen Chan: I would provide that.

Mr. Randy Hillier: Okay. Could we get that for the transfer agencies, please?

Hon. Helena Jaczek: Which ones?

Mr. Randy Hillier: For the 770 of them.

Ms. Karen Chan: That would be—

Mr. Randy Hillier: It would be, but just for the last year would be fine. I wouldn't go back for previous years.

Hon. Helena Jaczek: I think we'll look into the logistics of that.

Mr. Randy Hillier: I say that to you, Minister, with cause. I'll refer you back: I sent a letter to your predecessor back in 2009 when there were questions of a particular agency—I won't name the agency. That was in 2009, and that agency had not provided or published any annual reports on their activities, their memberships or their financial position since 2005, so it had been four

years. When I sent that letter to your predecessor, it went unactioned.

It does raise some flags about what level of accountability and oversight there is on these transfer agencies, because indeed it is such a substantial amount of the ministry's expenditure.

Hon. Helena Jaczek: I'm wondering, Mr. Hillier, if you'd be satisfied with narrowing the search somewhat to perhaps the agency that you're particularly interested in?

Mr. Randy Hillier: No. No, I believe that it should be public. All agencies should have their annual reports published and available online. I believe that those expectations of how many people they're providing services to and what level of services they're providing should be accessible at all times to all people. That is the only way with such a great number of transfer agencies. Anything less than a full public disclosure is, in effect, no accountability.

Hon. Helena Jaczek: Any comments that you might have?

Ms. Karen Chan: I can maybe add a few things. Just to take you a bit through the process, first of all, there is a service and a budget submission that comes in. From that submission, all of the key data around the staff, what the service is and the proposal, are all put into a system and they're all looked at. There are standardized templates and parameters. That budget submission comes in. Then there is a contract approval process, where there is a discussion between the ministry person—the program supervisor that we were talking about—with projected levels of outcomes. We look at the expenditures and then that agreement is put in place. Then there's monitoring of payments. Then there's the year-to-date monitoring and reporting. Then, at the end of the cycle, there is a year-end reconciliation.

Mr. Randy Hillier: Let me just—and I can give you some evidence of this later on. I looked at a number of transfer agencies' financial reports that are published online. They list the amount received in transfers from your ministry. They would also recognize any additional revenues—so two lines. Then they would have another line saying "expenses," and under expenses would be salaries and wages. Then the only other additional line on their financial statement was "other expenses," which is not a very detailed account.

Four or five lines in a financial statement do not provide any level of accountability. They do not provide any level of oversight. That's what I've seen published online. You're saying to me that the reports, the monitoring and the evaluation that you do in your ministry has far greater detail to it than what is published online?

Ms. Karen Chan: Yes, that would be correct. I think you're talking about the audited statement that the agency would provide. We do require them to be signed off by an auditor so that we're 100% sure that they're in good shape. So there are two different pieces; that's absolutely correct. You're talking about that piece, then there is the budget submission package that the agencies complete and do, and then our ongoing monitoring, of

which receiving the annual report is one small element—not minuscule and obviously important—of a much larger accountability framework.

Mr. Randy Hillier: May I request—I'd love to see one of these ministry accountability documents, the evaluation. If it's more practical or more suitable if the names of the organizations are redacted or whatever to respect privacy, that's fine.

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Ms. Karen Chan: That would be great.

Mr. Randy Hillier: But I think it would be beneficial to the committee if we could have one of those, an illustration and example of what the ministry does, provided to us.

Ms. Karen Chan: Absolutely. That would be fine for us to provide. We can do that.

Mr. Bas Balkissoon: Madam Chair, on a point of order.

The Vice-Chair (Miss Monique Taylor): Yes, Mr. Balkissoon?

Mr. Bas Balkissoon: I would like us to clarify, because Mr. Hillier started out by saying he wanted it for all the agencies. The minister offered a sample—or name a couple of agencies and it will be provided. I think in the line of questioning that I'm hearing Mr. Hillier getting through, really, we're paying a lot of high-priced staff in the ministry—

Mr. Randy Hillier: Is this a point of order or do you just want to get clarification from me?

Mr. Bas Balkissoon: Yes, I just want to clarify that you're asking for one or two agencies, but not the 700. Because if it's the 700, I think the rest of the committee is not interested in that type of work. I think Mr. Hillier—

Mr. Randy Hillier: We just spoke about an example.

Mr. Bas Balkissoon: —is trying to inject himself as a staff in the ministry. I don't see us, as estimates—

Mr. Randy Hillier: It's not a point of order, Chair.

Mr. Bas Balkissoon: —having to go into what he's trying to do. I ask you to rule.

Mr. Randy Hillier: So the monitoring and the evaluation, you'll provide an example or representative examples if there may be other types of monitoring surveys that you do for different transfer agencies?

Hon. Helena Jaczek: I think we'd better wait for the Chair to rule.

Mr. Bas Balkissoon: We're in the middle—I'm asking you, on a point of order—

Mr. Randy Hillier: Well, it's not a point of order.

Mr. Bas Balkissoon: Yes, it is.

The Vice-Chair (Miss Monique Taylor): This isn't a point of order; it's a point of clarification.

Mr. Bas Balkissoon: I just want to make sure, because if it's all the agencies, I think it's an unusual request. For all the years I've been—

Mr. Randy Hillier: I just said, and there was an agreement, that—

Mr. Bas Balkissoon: Can I finish?

The Vice-Chair (Miss Monique Taylor): Hold on. Whoa, whoa, whoa. This is a point of clarification—

Mr. Randy Hillier: Let's go to recess. If the member needs—

The Vice-Chair (Miss Monique Taylor): Excuse me; I'm speaking. This is a point of clarification. If you would like the member to clarify his request, then that is exactly what he can please do. Thank you. Please go ahead, Mr. Hillier.

Mr. Randy Hillier: We were understanding, on the monitoring and the evaluation, a representation that illustrates what you do. I did ask earlier about the financial statements and audits that you said you would provide. When I put in the 770, there were some eyebrows raised, so a couple of them would be fine.

Just for clarification, as well, could you provide the committee with a list of the other transfer agencies that are not identified and who receive transfer payments of less than \$120,000 per year?

Hon. Helena Jaczek: So in summary, you want a list of the transfer payment agencies receiving less than \$120,000.

Mr. Randy Hillier: Yes.

Hon. Helena Jaczek: You want to receive a couple of examples of audited financial statements, and also the process by which we examine those.

Mr. Randy Hillier: Yes.

Hon. Helena Jaczek: There is a risk assessment also done, I believe.

Ms. Karen Chan: That's right; there is.

Hon. Helena Jaczek: So I think we can look into providing—

Ms. Karen Chan: We could provide you the transfer payment package, the risk assessment tool, all of those things we do as follow-up throughout the year. We could provide that—the tools, basically—if that would work.

Mr. Randy Hillier: Yes, thank you. And you know, this ought not to come as any surprise. The Ombudsman has mentioned as well that there is a significant amount of bureaucracy. I think they stated that it was too much bureaucracy and not enough service. I'm sure every member here in this committee and every member of the Legislature has heard and seen stories directly of people needing services—very needy people requiring services, whether it be developmental services or they have intellectual disabilities that require services. It's a broad spectrum. We often hear that there is no money, even though we are over the \$10-billion range in expenses, with the bulk of that going to transfer agencies, and no public—or very, very little public—disclosure about what these transfer agencies are doing.

So I think I'll put this in as a request, Minister, because again, as we go through these estimates and as an individual goes through the public accounts—

The Vice-Chair (Miss Monique Taylor): Two minutes.

Mr. Randy Hillier: —it would be much more effective for all members of the Legislature and far more effective for all members of the public to be able to easily wade through the ministry if these reports and these evaluations were made public.

Hon. Helena Jaczek: Mr. Hillier, I just want to clarify. Of our \$10-billion-plus budget, the vast majority of those funds go to the mandatory social assistance programs. They go direct to front line.

Your points in relation to bureaucracy and so on, I am assured by my officials that we are trying to streamline as much as we can. We totally want our budgetary dollars to go to those in need. That is the essence of our ministry.

Mr. Randy Hillier: What I was referring to there is, bureaucracy does not just happen with the Ontario public service or with the Ontario Legislature; it happens everywhere. Even transfer agencies can have inefficient bureaucracies. Again, without being able to evaluate or see the numbers, each and every one of the ones that I've looked at do not list detailed expenditures, just these other expenditures—which often will be in the neighbourhood of 20%, 25%, 30% of their transfer fees that they are receiving from you, which are being spent in “other expenses.” Certainly the great bulk of the money that is being transferred is going off into salaries and wages and benefits for those people providing those services, but a fairly substantial amount is also being expended under that “other” category.

The Vice-Chair (Miss Monique Taylor): Thank you, Mr. Hillier. We'll now move on to the third party and Ms. Forster.

Ms. Cindy Forster: Good afternoon, Minister. Thank you for your responses yesterday.

We have a number of people in the audience here today that I'd like to introduce. One is Ruth Westcott, who is here all the way from Thunder Bay. She's a member of the ODSP Action Coalition in the Thunder Bay area. She's also a member of Poverty Free Thunder Bay. She came to speak to me today, and I think she's going to try and speak to some other MPPs while she's here, in particular her own MPPs in Thunder Bay, about the medical review process and its impact, particularly on people with mental health issues.

One of the issues that she did raise for me was that these 12-page forms that we talked about yesterday, for the review assessments, don't explain to physicians what the legislative test is for them to actually have continued benefits. It really puts people at a disadvantage, particularly if they don't have a family doctor who is known to them, or they are known to their doctor—to complete these medical reviews when they don't even know what the criteria are to have that approval done.

As well today, we have seven members of OPSEU who are in the developmental services sector who support clients in our communities. They are: Patti Markland, Erin Smith-Rice, David Lalonde, Silvana Cacciatore-Roy, Karen McKinnon, Scott Collins and Tracy More. I welcome them all here to committee.

I want to spend my time maybe going back to the developmental services sector for a short period of time. Once again, we only have a very few minutes so I'm going to ask some questions, and if you can't immediately answer them, then if you can get back to us—

Hon. Helena Jaczek: We can do our best to immediately answer them. That's why we're all here.

Ms. Cindy Forster: All right. Yesterday, Mr. Walker from the official opposition asked if you would provide wait-list data, which I think you confirmed you would do. I just wanted to clarify that request.

I wanted to ask you to provide the following: How many Ontarians, according to your department, have a developmental disability? How many of those individuals receive direct funding, direct services, and how many receive no support from your department? What is the current number of Ontarians waiting for support needs assessments, and can you—

Hon. Helena Jaczek: Could we just do them one at a time? Because I really think the answers are here, and my head's beginning to spin.

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Ms. Cindy Forster: Sure, if you can answer quickly.

Hon. Helena Jaczek: Those with developmental disabilities in Ontario—I believe it's in the order of some 65,000. I'm ready to stand corrected. We have a pictorial here. Is it approximately 65,000?

Ms. Karen Chan: Approximately 62,000.

Hon. Helena Jaczek: Approximately 62,000.

Ms. Cindy Forster: That's 62,000 that are actually interacting with your departments?

Ms. Karen Chan: That's 62,000 adults—

Ms. Cindy Forster: Adults.

Ms. Karen Chan: —not interacting; 62,000 adults who have a developmental disability. About 40,000 of those have some kind of interaction with us.

Ms. Cindy Forster: How many receive direct funding or direct services?

Hon. Helena Jaczek: Do you mean direct funding through Passport? I think you do.

Ms. Karen Chan: I think that's what you mean. About 16,000.

Ms. Cindy Forster: So that means that about 50,000 receive no support at all?

Hon. Helena Jaczek: Well, don't forget that 70% of the people who we have interaction with are on ODSP.

Ms. Karen Chan: That's right. Of the 62,000, the high majority of those, almost 99%, are getting ODSP. There are about 18,000 who get residential services, about 16,000 who get Passport services, and another group—I'll have to get you that number—who get day support services, as well.

Ms. Cindy Forster: What is the current number of Ontarians waiting for support needs assessments?

Hon. Helena Jaczek: Waiting for assessments?

Ms. Cindy Forster: For assessments.

Ms. Karen Chan: I'm sorry; I don't have the number waiting for assessments.

Ms. Cindy Forster: You can provide that for us?

Ms. Karen Chan: We can get you that.

Ms. Cindy Forster: And can you provide it by region? Is it possible to break it down?

Hon. Helena Jaczek: It would be by DSO.

Ms. Cindy Forster: Okay, because according to the select committee's report, there were 8,000 people, at the time that that report was done, on the wait-list, and we hear from our stakeholders that there's a wait-list to get on the wait-list.

Ms. Karen Chan: Can I just maybe say a couple of things about that?

Ms. Cindy Forster: Sure.

Ms. Karen Chan: As part of the \$811-million investment, we have increased the number of assessors. There are some who are already out there, and they'll be increased in a second wave. They do need to be trained; training is completed for one set, so we're actually increasing the number of people that we can get through assessments, and we'll be doing more training and increasing more.

There's a capacity issue in us being able to make sure that we get the right number trained, so that we can get them in and get them into service, so we are anticipating that we'll be able to really increase the number of individuals who have been—

Interjection.

Ms. Karen Chan: Oh, there are about 14,000 waiting for assessments, so we do have the answer for that.

Ms. Cindy Forster: Good.

Ms. Karen Chan: Can I just say that, for the services that we're providing, through both Passport and residential services, we are servicing those most in need. Anybody who comes forward—any one of these 14,000, or individuals we might know about with an urgent need—are absolutely assessed immediately. If they're in need of immediate or urgent services, they are receiving those. Somebody could be waiting on a waiting list for services or waiting for an assessment if any of those things happen.

For the folks who we're bringing on right now, we're doing it based on those most in need for Passport and for residential.

Ms. Cindy Forster: What is your projected target for wait times for support needs assessments from that wait-list?

Ms. Karen Chan: For the assessments? Well, once we get everybody fully onboard—I'd like to get back to you on that.

Ms. Cindy Forster: Okay. How much funding, if any, will be provided to DSOs directly in this fiscal year to reduce wait times?

Ms. Karen Chan: There is money that has gone directly to the DSOs.

Ms. Cindy Forster: Do we know how much that is?

Ms. Karen Chan: I do, if you can just give me a couple of minutes. Why don't you keep going? Maybe I'll know some of the answers.

Ms. Cindy Forster: All right. I'll keep going.

Ms. Karen Chan: I'll come back to that one.

Ms. Cindy Forster: Okay. Are you committed to eliminating the wait-lists for support needs assessments?

Ms. Karen Chan: Yes.

Hon. Helena Jaczek: Yes.

Ms. Cindy Forster: And you're going to give me the time frame? Okay.

How many are currently on the Passport wait-list?

Ms. Karen Chan: The Passport wait-list is—tell me the Passport figures. I just need to get that.

Hon. Helena Jaczek: I have that somewhere.

Ms. Cindy Forster: Did any individuals who were waiting—

Ms. Karen Chan: It's 13,000.

Ms. Cindy Forster: What is it?

Ms. Karen Chan: It's 13,000.

Ms. Cindy Forster: Thirteen thousand. Did any individuals who were waiting for Passport lose their eligibility as a result of the new guidelines that were implemented on October 1?

Ms. Karen Chan: Not that I'm aware of. In fact, the guidelines were increased so that more individuals could get services, and more services were made available. I think as you know, respite was added in relatively recently, and we have actually expanded services now to allow people to be more included. An example would be somebody who wants to participate in a recreation program, somebody who wants to participate in a day program, and they need some supports to do that. They can get those supports.

Ms. Cindy Forster: So is this \$810 million going to end the Passport wait-list over the next three years?

Ms. Karen Chan: Yes. The next four years was the commitment for Special Services at Home, too.

Hon. Helena Jaczek: We're working as hard as we can to accelerate that.

Ms. Cindy Forster: But it's only for current people, right? It's for the current numbers.

Ms. Karen Chan: No, we've included—

Ms. Cindy Forster: There's a contingency.

Ms. Karen Chan: —estimating about 1,000 new in every year, which is, I would say, maybe even a little bit high, so I think we have lots of room. We are working as quickly as we can to get through both the SSAH wait-list and the Passport wait-list. At this time, we're a bit ahead of schedule, and we'll continue to try to work hard.

Ms. Cindy Forster: How many people are currently on the SSAH wait-list?

Ms. Karen Chan: The SSAH wait-list was 8,000—

Ms. Cindy Forster: Eight thousand.

Ms. Karen Chan: —and we've already brought in 6,900.

Ms. Cindy Forster: Is there kind of a regional range of wait times?

Ms. Karen Chan: I'm sorry; 6,000.

Ms. Cindy Forster: Six thousand.

Ms. Karen Chan: Let me correct: 6,000.

Hon. Helena Jaczek: It was 6,900, was it not?

Ms. Karen Chan: It's 6,000 from SSAH and 1,900 in Passport, for a total of 7,900, and 6,000 is of the 8,000.

Ms. Cindy Forster: Okay. Is that wait-list anticipated to be ended as well, under this funding?

Ms. Karen Chan: Yes, both.

Ms. Cindy Forster: And there is some contingency for new people?

Ms. Karen Chan: For SSAH, we have some contingency. We have that already built into the system.

Ms. Cindy Forster: How many people are currently waiting for residential services?

Ms. Karen Chan: About 12,000.

Ms. Cindy Forster: What is the regional range of wait times? I hear that it can be, in one region, anywhere from several months to several years.

Ms. Karen Chan: To talk about the residential waiting list, the interesting part about that is that it includes people who might think they need a residential placement in a year, sometimes in 10 years, sometimes in 20 years. So we're doing some work on that waiting list to try to actually discern the individuals—we know we're getting the people most in need through the SIS. We know that right now.

What we can't really discern at this very moment, but what we're working to discern, is, once you get past the urgent, when is it people think they might need a placement? Is it a group home? What kind of residential environment do they think would be best for them?

We're trying to work on that 12,000 to try to figure out what are the kinds of opportunities, matching that up with the work we're doing on the housing task force. Some people might be interested in independent supportive housing. Some people might be interested in some wraparound services. Some people might be interested in host families. Some people might need some more specialized kinds of services that we may need to think about putting in place—for instance, somebody with a dual diagnosis or somebody who has high health needs. We have that range, so we're trying to work to discern that 12,000.

The 12,000 came from—you'll know that we moved to the DSO system not that long ago, so some of those people who are waiting came and were grandfathered in from the community agencies where they would have been on waiting lists, maybe for years. We're working on bringing them in and actually doing the work with them so that we can actually plan for the future when we're looking at longer-term residential planning.

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Ms. Cindy Forster: What is the annual caseload increase on the wait-list for Passport special services residential respite? Is it like a 10% increase per year? Is it—

Ms. Karen Chan: For Passport?

Ms. Cindy Forster: For all of the programs that are administered.

Ms. Karen Chan: As far as the increase in the wait-list? Well, we know, for example, about 1,000 people with developmental disabilities turn into being an adult every year; we know that. That's why I said when I looked at Passport, we maybe even overestimated there. So we're looking to try to work backwards in the system, working with our colleagues in MCYS particularly around the individuals who were in child welfare and particularly those individuals with complex special needs

so that we can actually start to plan and work forward that way.

Ms. Cindy Forster: Five or six minutes.

Within your \$810-million budget, are there transitional plans for employees who are working front line in the sector? I mean, we heard about a lot of things that are going to change over the next three or four years. Certainly there is a fear out there that—already, the direct service providers are seeing reductions in their hours of work, particularly in the part-time sector.

Are there transition plans to perhaps move some of these people into other areas within the developmental services sector as things change?

Ms. Karen Chan: Right at the moment, most of the individuals who are employed within the sector are providing direct services, the high majority within a group home environment.

Ms. Cindy Forster: Right.

Ms. Karen Chan: At this stage, we are obviously bringing on new individuals every year. We've already exceeded this year's capacity by more than 350 individuals who we're transitioning into homes, starting this month. So we don't see the number of group homes that we've got right now decreasing. We may see that they need to make some changes and adjustments to particularly service some of our individuals who have these specialized needs. This year, we've actually provided some support and additional staffing to help support some of those individuals with specialized needs.

As far as the Passport money goes, we've been talking with our agencies around the fact that they are the trusted partners. They're the folks in the field who individuals and families trust. How can they then support individuals who are coming to them with their Passport money? How can they support them with the staff that they have?

Just like we moved from—you know, staff worked in an institutional environment to more staff worked in group homes. Are there more needs for staff to support people in the community so that we can support inclusion?

Many of our agencies are taking up that challenge and are working together with their staff, because it is important that we have qualified, trained developmental services workers.

Ms. Cindy Forster: Thank you. What is the current denial rate, where applicants apply for benefits and are deemed ineligible, initially? Do we have any sense of those numbers?

Hon. Helena Jaczek: For ODSP or for Passport?

Ms. Cindy Forster: Yes, for ODSP, or applicants for developmental services ineligible for support. I'm thinking through programs—

Ms. Karen Chan: So somebody who doesn't meet the criteria—

Ms. Cindy Forster: Yes.

Ms. Karen Chan: I'm sorry, I don't know what the—it's quite low.

Ms. Erin Hannah: Can you repeat the question? I'm sorry—

Ms. Cindy Forster: What is the current denial rate where applicants for developmental services are deemed to be ineligible for support?

Ms. Erin Hannah: For ODSP specifically you're asking.

Hon. Helena Jaczek: No, I think it's more the Passport—

Interjections.

Ms. Karen Chan: Sorry; thank you. We just want to clarify. I can tell you, it's quite low.

Ms. Cindy Forster: And for ODSP?

Ms. Karen Chan: I need to look to one of my colleagues.

Ms. Erin Hannah: We wouldn't be able to answer that question specifically. For ODSP, it's not whether or not you are an individual with a developmental disability; it's whether or not that developmental disability meets the definition within the Ontario Disability Support Program Act for a person with a disability. That's a challenging question to actually respond to, but there is a very large number of individuals with developmental disabilities who access ODSP income support.

Ms. Cindy Forster: Are we able to get that data? Do you collect that data?

Ms. Erin Hannah: On denial?

Ms. Cindy Forster: On denial.

Ms. Erin Hannah: No, I don't think we would be able to provide that information down to that level of detail. We could certainly provide you with what is the non-grant rate for people who apply to ODSP but not necessarily for the reason that they were found not to have a developmental disability, simply they were not found to have a disability.

Ms. Karen Chan: I'll just check with my colleague back here that we can provide that now. We'll look to see if we can get that from our DSO offices.

Ms. Cindy Forster: You've promised \$200 million over three years for front-line workers. How much of that wage enhancement is actually for the service workers, and how much is for intervenors, interpreters or other workers who may be hired to implement this new programming?

Hon. Helena Jaczek: My understanding is that the whole \$200 million over three years will support front-line workers in all the agencies that support vulnerable people. Some of that money will go to intervenor services. Some will go to our Aboriginal Health and Wellness Strategy workers. This is not specifically developmental services.

Ms. Cindy Forster: Thank you.

The Vice-Chair (Miss Monique Taylor): Thank you, Minister. We will now move to the government side. I believe it will be Mr. Rinaldi.

Mr. Lou Rinaldi: Minister, good to be here; it's wonderful to be here today. The question I have sort of follows the member of the NDP, the trend she was going to—and I see some of the people who are here in the audience today.

We talk about programs, and we talk about what we can do. Sometimes we don't talk enough about the front-line workers because they're really the backbone, especially of your ministry. I wouldn't want to single them out, but they're the ones who take the load. I hope that, as we move forward, we don't forget about these people. I think it's very important. Like I said, they're the ones who do the slugging.

I wonder if you can give us a bit of an overview—I'm not sure we need a lot of detail—as we move forward, on how we're supporting these front-line workers. For two reasons: One is that I want to recognize the important work that they do for that particular sector, but also to attract people to do that because sometimes it's not very rewarding, and maybe it's not very appreciated, and a number of other factors. If you could give us a bit of an overview, I would certainly appreciate it.

Hon. Helena Jaczek: Thank you, Mr. Rinaldi. Yes, welcome to our visitors.

As I mentioned yesterday, I've just been so impressed by DSWs, in particular, working in Community Living agencies. When I was down in Chatham, where I visited, I was asking some of the workers in a group home how long they had worked at the home. I was really surprised. It was 10 years, 15 years—really dedicated individuals. Of course, in our budget, the \$200 million over three years is to go to front-line workers.

Actually, in response to Ms. Forster's question, we do have a breakdown of the \$200 million: \$20.2 million will go to the community services that I mentioned—intervenor, violence against women, aboriginal health and wellness—and some \$179.8 million will go directly to the developmental services sector.

Obviously, we respect the collective bargaining process, and we're working with employers and unions to discuss an approach that will lead to these funds being dedicated to those front-line workers.

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I think maybe I'll hand it over to ADM Karen Chan, because she's intimately involved in how we're going to be deploying these funds.

Mr. Lou Rinaldi: Great. Thank you.

Hon. Helena Jaczek: Karen?

Ms. Karen Chan: Thank you, Minister. As Mr. Rinaldi and the minister said, the workers who support our vulnerable individuals are really important.

This has been an absolutely excellent sector that has worked together around developing a human resources strategy and has looked at competencies and training, and they have worked across union, non-union and employer groups. So they have a long history of working together, in partnership with the ministry, to ensure that the competencies are in place. We're very proud of that, and we're very proud of the work that has been done across the province.

As far as the \$200 million over the three years that has been invested, you've heard the breakdown. We have been meeting over the past few months with representatives from our union colleagues and representatives from

our employer group, both unionized and non-unionized. These discussions have been facilitated by the Ministry of Labour.

We do know that a lot—many, most—of the contracts are looking for renewal. We do know that this \$200-million investment is absolutely essential to support individuals in the workforce, to support the agencies so that they can provide the supports that staff need and to help us move forward with both the investment and the transformation strategy.

To that end, next week, we have two days of meetings planned. We'll work with a group of folks who represent the employers and folks here who represent two of our major collective bargaining agents.

We're hoping to work on a methodology, together in the room, on the allocation, of course meeting the direction and the criteria, and a reporting methodology for that. So how would we allocate the funds to best meet the needs, and how can we move forward? We hope that that can be shared. We'll start out with some shared principles that we'll talk about and then move forward, to recognize that the ministry is not the employer at all—they're individual employers—and that there are individual collective bargaining arrangements that go on across the province.

I'm very pleased that both our labour partners and our agency partners are coming to the table in good faith to have that discussion. I'm very much looking forward to those two days of discussions that we have and being able to move that forward, because we do know it's urgent that people understand how that money will go out, and so that we can move forward with the bargaining process and actually move forward with the transformation in investment.

Mr. Lou Rinaldi: If I might just add a comment: I think that's an innovative approach, that you sit around the table before a decision is made. But I would encourage you, whatever that outcome is—and I'm hopeful it's very successful to all parties concerned—to communicate that—

Ms. Karen Chan: Absolutely.

Mr. Lou Rinaldi: —because I think that's so important to the recipients of those services, knowing that there's harmony and that they're going to keep on getting their services.

Many times, whichever way the discussion goes, we tend to forget who the ultimate recipient of the service is and how it's going to impact them. I just want to encourage you to make sure, through those discussions around the table, that we don't forget about the people that we're really trying to serve. Thank you.

Ms. Karen Chan: And I would say that all parties are coming with that in mind, so thank you very much.

The Vice-Chair (Miss Monique Taylor): Go ahead, Ms. Wong.

Ms. Soo Wong: Minister, as you know, both Mr. Balkissoon and I sat on the select committee, and the number one recommendation in the select committee deals specifically with the creation of the new inter-

ministerial committee on developmental services. The nature of the program and the people you are trying to serve in your ministry require that interaction with a number of ministries, so can you share with the committee the efforts that have been taken by your ministry in terms of removing the barriers and then bringing together the multiple ministries? Can you share that with the committee?

Hon. Helena Jaczek: Yes, certainly. I certainly understand the spirit of those first few recommendations of the select committee's report urging interministerial work and the potential for ministers to sit around the table, some 10 ministers.

On further analysis, we found that to be somewhat unwieldy. We would prefer to have groups address specific areas that are really important and that are mentioned throughout the select committee report.

One of the most important is this whole issue of transition planning. There was a question related to that this morning in question period, as you'll recall, and it's certainly something Ms. Jones had mentioned previously in the House as being very difficult, for a family with a child who is going to school, who is receiving a lot of supports, approaching adulthood, to plan for that transition.

So in your mandate letter from me, which is available online, Ms. Wong has now been directed to work particularly on a number of these interministerial events. The critical one that I have just been talking about is, of course, working with the Ministry of Education, the Ministry of Children and Youth Services, and the Ministry of Training, Colleges and Universities to ensure that young people transition as smoothly as possible into adulthood in terms of even having the availability of competitive employment. So you are going to be very busy, because there are many different other aspects as well.

The select committee mentioned the whole issue of supported decision-making. The law commission is coming out with some guidelines there, and this would require interaction with the Ministry of the Attorney General. There are many different aspects. There's the partnership council that is under Minister Duguid, the Minister of Economic Development, Employment and Infrastructure. Under that employment piece, he has established that council, and of course we know that it's vital that those with disabilities, whether acquired or developmental, have the opportunity to acquire the type of training they may need, supports, whatever that looks like, and also, on the other side, to encourage employers to actually employ individuals. So you are going to be particularly busy.

But we also know that at the ministerial level, at the bureaucratic level, there is a deputy ministers' committee that includes, I think, those 10 ministries and that is working to coordinate, because it obviously is absolutely vital that we work across ministries for this vulnerable population, and that is our intention. We need to. We don't want people falling through the cracks.

I'm not sure—ADM Chan, would you like to expand on interministerial work at all?

Ms. Karen Chan: Sure, I can add. There is a deputies' committee and then there is also an assistant deputies' committee, and it's actually quite an exciting committee because it includes both people who are interested in doing policy, which is some of our longer-term work, and program, and below that there are working groups working on some particular projects.

One of the successes of that ADM group is actually the memorandum of understanding that has been signed by all the boards of education across the province, which is very, very exciting, to put in place transition planning, and working with our children's ministry and then with MCSS as well.

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I think it's the first time that I know of in my career where we're assured—there was a lot of activity that went on in local communities for sure; I wouldn't want to put that aside—but where we have one consistent approach across the province that all boards of education have signed onto. That in and of itself is exciting. That transition planning will start earlier—page 15—so that we can actually think about the wants and needs, whether the individual wants to continue on in school, some kind of training, or whether they are an individual with higher needs that we may need to think about. That's very exciting.

The other work that we've been doing is some work with the Ministry of Municipal Affairs and Housing on some of their new investments. Their investments are planned for at the local level around housing. We've created environments where we've shared that with both our local delivery agents and with our regional offices so that they can interact at the local level around housing needs.

A third example we're working on which I think is quite exciting is with the Ministry of Health and Long-Term Care. That's dealing with some of our most complex vulnerable individuals, some of whom are in hospitals, some who are at home with very high levels of service, and looking at how we can actually bring together the services of health and our own to meet the needs of the client.

In each of our regional offices across the province over the last six months, there have been individual meetings between the LHINs and our regional office directors. In every single community that has happened. They are putting in place some action plans individually. We have a working group of LHINs and our regional directors and ADMs across the two ministries, children and MCSS, that is also working on some plans as they relate to some local communities.

One success I can tell you about is in Ottawa, where there were a lot of individuals who were in some hospitals. The community came together with the LHIN and planned for about 11 or 12 individuals, who had been in hospital, some up to and over five years—to actually bring them into the community. That was only done

because we were able to bring together the health funding through CCAC and the MCSS funding, sometimes making some physical plant changes, but then being able to bring those individuals into the community. That's one success that's happening in all of our regions across the province.

Ms. Soo Wong: Thank you.

The Vice-Chair (Miss Monique Taylor): Ms. Kiwala.

Ms. Sophie Kiwala: Thank you, Madam Chair, and thank you very much for all of your work so far, to everybody in the committee. It's been most interesting.

Another welcome to our guests. I'm always interested to meet with you, and hopefully we'll have a chance to meet front-line workers at some stage. It is close to where I've come from.

I wanted to talk to you a little bit today in the realm of community services. This ministry also provides funding to the aboriginal community. As you're aware from my motion to ask the federal government for a national inquiry for the missing and murdered aboriginal women and girls, this is an area that I've taken quite a keen interest in. I'm wondering if you can explain to me more about the Aboriginal Healing and Wellness Strategy and how the funding is assisting this population.

Hon. Helena Jaczek: Thank you for that. In fact, the Aboriginal Healing and Wellness Strategy does fund a wide range of health and family healing programs that are aboriginal designed, delivered and managed. This year, 2014, actually marks the 20th anniversary of what is called AHWS. I'm going to be in Thunder Bay actually—

The Vice-Chair (Miss Monique Taylor): Two minutes left, Minister; two minutes.

Hon. Helena Jaczek: I will be in Thunder Bay, so hopefully I will meet with some of our guests here today, because I'm going up to mark that 20th anniversary with them. We'll do a visit to Community Living Thunder Bay, which I'm also looking forward to a great deal.

The mandate is essentially to reduce family violence and violence against aboriginal women and children and to improve aboriginal healing, health and wellness through culturally appropriate programs and services. We have funded this through our ministry. There are other ministries involved. The total funding for these AHWS programs is some \$38 million in this fiscal year.

I'm going to turn it over to Erin Hannah for the last few moments here, because I know she has some in-depth information.

Ms. Erin Hannah: Just adding to the minister's comments already: It may be of interest to you that, in 2013-14, there were about 42,000 people who accessed AHWS programming. Through the funding that we've provided, we've also managed to create 650 jobs in aboriginal communities, which I think is a great success rate.

Moving away a little bit from AHWS, I just wanted to flag that the ministry has other partnerships with our First Nations and aboriginal partners, notably the delivery of

Ontario Works in 101 First Nations communities across the province, for which we provide program delivery funding in the amount of about \$24 million and work very closely with them on the unique realities of on-reserve communities, particularly in the far north and remote fly-in communities.

The other programming that we have in partnership with our First Nations communities is the transitional support fund. It came into being when there was a consolidation of homelessness programs—

The Vice-Chair (Miss Monique Taylor): Thank you.

We're now going to move into the final round. It will be 18 minutes per caucus. We will begin with the official opposition, and Mr. Hillier.

Mr. Randy Hillier: Minister, I'm going to move over to some ODSP questions now. I would like to say, I've read some MCSS documents that indicate that on average, there is a 1.2% reduction of people from ODSP per year. The document reads, "Recipients exit primarily due to death." There are very, very few people who actually move off ODSP into employment. Of course, that is one of the responsibilities, one of the objectives of ODSP: to assist people to get off and become employed. So 1.2% is not a very large number of people getting off ODSP each year. You've also only increased the employment assistance portion of ODSP this year by \$5 million where you've increased the financial assistance portion of ODSP by \$307 million.

Hon. Helena Jaczek: Could you just clarify where you're finding these numbers in the estimates book? Or is this somewhere else?

Mr. Randy Hillier: I'll do that in a second, Minister.

Hon. Helena Jaczek: Okay. We just want to keep with your numbers here.

Mr. Randy Hillier: In your estimates, you have ODSP financial assistance increasing by \$307 million and employment assistance rising by only \$5 million. With such a low rate of transition, 1.2%—first off, let me ask, is 1.2% a benchmark that you're satisfied with? That's been the average over the last number of years since 2003.

Hon. Helena Jaczek: I'm going to turn this over to Richard Steele—

Mr. Richard Steele: I think Erin would be better for that question.

Hon. Helena Jaczek: To Erin? Okay. Erin?

Mr. Richard Steele: I'm happy to take it.

Hon. Helena Jaczek: So many experts.

Mr. Richard Steele: I'm happy to do it as well.

Ms. Erin Hannah: Tag, you're it.

Thank you for the question. Certainly, we're quite aware that in the Ontario Disability Support Program, the two primary reasons that people exit the program are, first, turning 65 and being able to access federal old age security and other benefits for seniors, and the second reason is due to death. Our employment outcomes may seem low from an exit standpoint, but I think what I would point your attention to is that we have had some success in encouraging more people receiving ODSP to

have earnings from employment. It doesn't necessarily mean that they can no longer access any income support through the program, but we do have about 10% of cases reporting job earnings in the program, which does then reduce the level of assistance that they receive.

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We don't always have individuals in ODSP who necessarily are in a position to be able to have full-time work where they are able to earn sufficient moneys in order to leave the program. I think we absolutely do think we can do a better job, though.

A lot of our efforts in terms of our social assistance reform agenda are aimed at trying to improve how we provide those supports.

Mr. Randy Hillier: So you're saying at the present time about 10% of the people are receiving employment earnings outside of ODSP?

Ms. Erin Hannah: Correct.

Mr. Randy Hillier: And that we have a 1.2% exit from ODSP, mostly due to CPP at age 65 and/or death?

Ms. Erin Hannah: The two primary reasons for it, yes.

Mr. Randy Hillier: Knowing that, it causes me some concern that you've only increased the employment assistance by \$5 million, knowing that you have a very low employment assistance number. It causes me a great deal of concern that you've only increased the employment assistance by \$5 million. I wonder if—

Hon. Helena Jaczek: So are you advocating for more? Is this what you—

Mr. Randy Hillier: If I was only having a 10% success rate, I would question what I'm doing, whether or not the money is providing any benefit and if we ought not to be doing things in a structurally different way to get greater numbers of people actually having some employment earnings other than ODSP as their sole source of income.

Ms. Erin Hannah: Yes. There are a few points that I just wanted to share with you. I'm not sure exactly what page you're referring to in the estimates in terms of the \$5 million that you're quoting.

Ontario Works employment assistance, though, is different than Ontario Disability Support Program employment supports. They have different funding lines. I just want to make sure that I'm clear on that.

Mr. Randy Hillier: Yes. We'll get to the OW after.

Ms. Erin Hannah: What we've done in the ODSP world and actually also in the Ontario Works world is recently introduced, in 2013, a \$200 flat rate earnings exemption. That did increase expenditures because it means that people can continue to receive disability support while they're going to work.

It was actually intended to be an incentive for people to not be fearful of joining the labour market to the best of their ability. We're still evaluating the impact that that will have in terms of incenting more employment. It has only been in place for a year and a half.

Mr. Randy Hillier: If you want to look at your results-based—it's on page 8 where you'll see the On-

tario Works employment assistance this year. Then if you go to public accounts you can see employment assistance last year was \$183 million and this year in your estimates it's \$195 million—on page 8.

Anyway, I still want to go back. We've actually seen not any improvement in these numbers over the years, but actually a reduction in the amount of people that we're assisting in getting greater earnings from employment instead of just ODSP.

What do you say to that statement that we were actually flat or in decline, getting more people receiving employment earnings?

Ms. Erin Hannah: I just want to go back to clarify. The amount that you're citing in terms of increases to employment assistance, that is not the Ontario Disability Support Program; it's the Ontario Works program. ODSP has not, in the employment supports program, actually had an increase. The envelope remains the same.

Where we've focused our efforts in terms of trying to support better employment outcomes for people with disabilities has been in the area of introducing policy change, like the \$200 flat rate exemption, as well as—

Mr. Randy Hillier: Could you just go back? Did you say there has been no increase in employment assistance under the ODSP program?

Ms. Erin Hannah: There has been no increase in the envelope that is specifically the employment supports program in ODSP. I would say that the investment choices that have been made, based on the ministry looking at how we can best incent outcomes, have been to make policy changes like the \$200 flat rate earnings exemption that's intended to better support people and reduce the fear of moving into the job market for people who are receiving ODSP.

There are also other changes that have been made: for example, allowing ODSP recipients to be able to continue to access health benefits through the Ontario Disability Support Program when they go to work and if they exit to a job, until such time as those benefits are available through their employer.

There's a number of different ways, through the policy tools that we have, that we've tried to encourage that—

Mr. Randy Hillier: Okay. I'm just going to table a couple of sheets here with the Clerk. They can drop them over to you, and you can tell me if that's correct or not.

I still want to go back. Minister, do you think that what your ministry is accomplishing on this is an acceptable level? Are you satisfied with what your ministry is accomplishing on both of those two functions: assisting people to get off ODSP and get full employment, or helping them get some gainful employment?

Hon. Helena Jaczek: I think we are taking the matter very seriously, and we're looking at all possible ways of getting individuals on ODSP into competitive employment. There's no question that some of the incentives that Erin has talked about will make a difference.

I'm confident that people will have the desire to earn that little bit extra, the \$200 that they can keep—over the \$200, they keep 50%—because of the benefits of being

part of the workforce. Again, we've seen that this is very important. Where employers have accepted individuals with disabilities into the workforce, they're very pleased. But there is an issue with employers—

Mr. Randy Hillier: Okay. Remember my original thing. We were going to keep the questions and the answers as brief as possible.

Minister, I'm going to go to the next question here—

Hon. Helena Jaczek: I enjoy brevity, but I do think that these are important points to make, Mr. Hillier.

Mr. Randy Hillier: Minister, in 2013-14, your ministry paid out \$229 million in salaries. This year, your estimates are increased to \$241 million, roughly an \$11-million increase. How many new employees have you hired at MCSS?

Hon. Helena Jaczek: I will turn that to perhaps the deputy.

Mr. Bohodar Rubaschewsky: Our approved hiring level is about—I believe it is about 47 above what we had last year.

Mr. Randy Hillier: That's 47 new—

Mr. Bohodar Rubaschewsky: That's 47 FTEs—

Mr. Randy Hillier: New employees.

Mr. Randy Hillier: —given the fact that we are putting some additional resources into the medical review function to—

Mr. Randy Hillier: Okay. That's very necessary. That's an abysmal state for anybody applying for ODSP right now. You cannot get an answer; you will not get an answer for at least a year. It's totally inappropriate, in my view, from my experience.

I do want to ask you—you've got 47 new employees, but I also noticed that over the last four years, the number of people employed in MCSS who are now on the sunshine list has increased by 80 employees. It has doubled in the last four years.

It certainly appears to me that whereas there may not be funds for what you've said in employment assistance envelopes, there certainly doesn't seem to be a shortage of funds for increasing employees' wages to get onto the sunshine list.

Mr. Bohodar Rubaschewsky: I can't speak to the specifics of the changes in numbers on the sunshine list. I can tell you that the vast majority of our employees are represented by bargaining units or are involved in front-line services, most particularly the Ontario Disability Support Program.

Our senior management group across—at this point in time, we have just under 3,500 employees—is under 2%, so we do keep our senior management ranks as small as we can.

We do have policy specialists and others who are involved in some of the policy development work that we've talked about. They constitute about 20% of our workforce. But the vast majority of our staff are front-line staff.

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Mr. Randy Hillier: I want to ask you a question, Minister, on Ontario Works because we see a very similar

trend line with people going on Ontario Works, which is meant to be a temporary program and to assist people to find gainful employment and not be on OW. But I see that in the last two years, there has only been a reduction of 0.8% in those new cases. So 99% of the people who have gone on OW in the last two years remain on OW to this day. That is again—

Hon. Helena Jaczek: No. They are different people. In other words, I think about 50% of OW clients get off OW within a year.

Mr. Randy Hillier: It's 50%? Okay, I'll take a look into that.

I would ask as well, Minister—going through the estimates, there have been a couple of programs that have been of great interest to me. That is the Passport Program and the community support services for adults. These do not show up as separate line items in the estimates, and it's very difficult to see how those programs are being utilized and the efficacy of those programs. I know a couple of years ago, when I first requested from the ministry the information on the Passport Program, there were, I believe, 243 people on the waiting list for it, but there were no funds at all that year. That's going back to 2009.

Hon. Helena Jaczek: It's a long time ago, Mr. Hillier.

Mr. Randy Hillier: Minister, do you not think it would be good and proper and valuable for the Legislative Assembly to have separate line items in your estimates and in the public accounts showing these different programs so that we can see changes or alterations? These are important programs. These are meant to help people who have significant disabilities. But it's very opaque as to the effectiveness of them or any investigation or evaluation of them if we can't see how much is being spent on those programs from year to year.

Hon. Helena Jaczek: I'm sure the estimates are produced in the way that the Ministry of Finance has determined previously. I think we can give you some more detail if you want to know the envelope for Passport funding, if that's what your question is.

Mr. Randy Hillier: That would be helpful, but I do want to go back to the question to you. As the minister who has responsibility and authority for your ministry—and of course, you cannot do things that are contrary to the Ministry of Finance in the development of your estimates; however, in the interest of openness and transparency—I hope that would not be contrary to the Ministry of Finance—that you actually itemize in a separate line item the funding for these important programs like Passport and the support services program.

If you have the number of what you're funding for Passport this year, I would be happy to hear that number, as well as your response about including that as separate line items in future estimates.

Hon. Helena Jaczek: It's an interesting idea and certainly something I will be considering.

And the actual amount?

Ms. Karen Chan: The base amount is \$108 million, and it's growing this year by about \$20 million—this year.

Mr. Randy Hillier: So \$108 million in Passport funding.

Ms. Karen Chan: Yes, and growing this year by \$20 million with the new investment—this year's investment.

Mr. Randy Hillier: The \$108 million, that was 2013-14?

Ms. Karen Chan: That's correct.

Mr. Randy Hillier: And we're looking at \$128 million in Passport funding. What about the community support services for adults?

Ms. Karen Chan: I don't have that broken down in here, the community support services.

Mr. Randy Hillier: Again, we're here to examine and try to identify that the taxpayer is receiving benefit for their money. If things—

The Vice-Chair (Miss Monique Taylor): Thank you, Mr. Hillier. Your time is up. We'll move on to the third party and Ms. Forster.

Ms. Cindy Forster: Minister, you're eliminating the Work-Related Benefit. I was concerned yesterday about some of the things that you didn't say in your opening remarks. There didn't seem to be an emphasis on social assistance reform and the basic need for income security and income adequacy. It appears that you're taking about \$40 million of benefits that provide a steady income stream of \$100 a month to people who have employment income and re-purposing that money to assist people who are not yet working. In other words, you're taking away money from one group to support another, when both groups actually need assistance.

It appears that you're punishing people on ODSP who are engaging in exactly the activity that you want them to engage in, which is to go to work, if they're able to do that, by taking away that \$100 a month in income. These are people with disabilities. If they were able to work more, if they were able to work at a level to support themselves, they wouldn't be on ODSP in the first place.

I think this is going to be really problematic for some people, those for whom work is more about getting out in the community and making a contribution in their community than it is about increasing incomes. It's problematic that the ministry doesn't support people working at whatever level they are able to. ODSP really should be a program that supports part-time work, intermittent work or casual work, because it's a program that supports people with disabilities. As we know, there are some people with disabilities for whom full-time work will never be an option.

What are they supposed to do when they lose that \$100-a-month Work-Related Benefit? They're already living in poverty and now we're going to take that away from them.

Hon. Helena Jaczek: I'm going to have to disagree with the premise of your question. We're streamlining seven employment benefits into one. The total funding envelope for those seven employment benefits that were

previously there are going to be redeployed—every penny of that money is going to be redeployed. We're doing it in a way that we think best assists individuals, both on OW and ODSP.

I'm going to turn over some of the details of what this actually means for individuals to Ms. Hannah.

Ms. Cindy Forster: We've been told by ODSP recipients who earn \$100 a month that they've been told they're going to lose \$1,200 per year in the Work-Related Benefit—I mean, directly from them. They've told us, "No government has ever cut my benefits like this." The new consolidated benefit will mean a significant cut for those people currently getting \$1,200 a year. Can you tell us the projections you've prepared regarding the number of current recipients of the Work-Related Benefit who are projected to lose funding under the new consolidated benefits program and any fiscal savings that you're projecting through the new consolidated employment benefit?

Hon. Helena Jaczek: Ms. Hannah?

Ms. Erin Hannah: Thank you. As the minister noted, the move towards streamlining the existing Employment-Related Benefit is not a cost-saving exercise. It's very much related to doing a better job of supporting employment goals for people with disabilities as well as other individuals within both Ontario Works and ODSP who do not have disabilities.

A little bit of context that I think might be helpful in terms of the streamlined employment benefit approach: The minister mentioned already that we'll be replacing seven existing benefits; four of those are in Ontario Works and three are in ODSP, including the Work-Related Benefit that you've mentioned, Ms. Forster.

Our goal is, first off, to simplify the myriad rules surrounding those seven existing benefits. One of the ongoing concerns that we have heard over the years related to social assistance is that we have far too many rules that make it really complicated for people to understand what benefits are available to them to support whether it's employment goals or whether it's to support emergency needs around health benefits or health care.

We've made the decision that we absolutely should have a single benefit within each of the programs that delineates not on the basis of whether you receive ODSP or Ontario Works, but on the basis of whether or not you're a person with a disability or a person who does not have a disability. The new employment benefit approach will actually have a benefit of up to \$1,800 annually for an individual with a disability, to support their employment goals.

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An important distinction in terms of the policy change that this will represent is that right now, the Work-Related Benefit, for example—and you noted it—is only available to people who have some level of earnings that they report. There's no access to that for individuals who are trying to enhance or strengthen their employability and move into the labour market, whether it's part-time or intermittent, if there's an episodic disability.

We really are trying to make that a better situation so that you can access support no matter where you are in your employment journey, and we do want that to be tied to the individual's employment goals, wherever those employment goals may land. We're not saying that full-time employment is the only outcome for individuals.

Ms. Cindy Forster: Have you consulted with municipalities and the DSS?

Ms. Erin Hannah: We have.

Ms. Cindy Forster: Stakeholders who I've talked to are very concerned about some of these changes and the fact that a lot of people need more supports than \$1,200 a year. That will be the average per client. Some clients have the ability to obtain as much as \$3,700 or \$3,800 a month under individual programs. So they're concerned that that amount of money is not going to achieve success for people trying to get back into the workforce.

Hon. Helena Jaczek: I think the approach, in essence, is to really tailor the benefit to the individual and their needs. I think it's a far more thoughtful approach than the one that we're replacing.

Ms. Erin Hannah: That's correct, Minister. I also think that one of the things to keep in mind is that when we look at the average amount annually that a person with a disability or a person without a disability—the Work-Related Benefit was also available to non-disabled adults in ODSP, which was an inequity, because the same benefit wasn't available to adults in Ontario Works, who actually have, as a condition of eligibility, a requirement to pursue employment. So there were questions of fairness in relation to that.

The average amount that people were accessing on an annual basis was about \$820, so it wasn't even the full amount of the Work-Related Benefit. If you take the Work-Related Benefit out, the average that people were accessing was about \$404 a month. The \$1,800 annual maximum, which will have a flexible guideline to be approved above that, given the unique individual employment plan of a person, we think will actually do a better job of supporting people towards their employment goals.

Ms. Cindy Forster: I look forward to a briefing on that.

Minister, yesterday in your comments you did not commit to ensure that social assistance incomes are adequate. This year's budget brings OW benefits up to about \$656 per month, which, as we all know, is shockingly inadequate. Overall, for all recipients of OW and ODSP, the rates remain far too low. The Lankin-Sheikh report heard the same message. We know that the PCs cut social assistance rates by 22% back in the 1990s and then froze them for eight years. We know that your government ended the freeze in 2004, but the increases have only been 17% over those 11 years.

After 11 years of Liberal government, you haven't fixed the damage. Under the Liberal plan, what year will it be before social assistance rates for all social assistance recipients are restored to a purchasing power equal to or

greater than they were before the devastating 22% cut under the PC government?

Hon. Helena Jaczek: Ms. Forster, I find this very interesting, because of course we've just been through an election and we studied your platform in some detail. We noticed that your platform failed to make any mention of social assistance, Ontario Works, ODSP and support for people with disabilities, so I'm not prepared to receive a lecture.

Clearly, my mandate letter states that I should make it a priority to reform social assistance. We take very seriously the recommendations of the Lankin-Sheikh report. Considerations of adequacy and so on will be part of that move to reform. As an example, we have made some changes. As you know, we introduced the remote communities allowance and increased that by some \$25, I believe—

Ms. Erin Hannah: It's \$50.

Hon. Helena Jaczek: —\$50, acknowledging the high cost of food and so on in remote communities.

We've made some incremental changes, obviously, but I look forward to these types of discussions. I and my officials are actively engaged in looking at what we might do going forward.

Ms. Cindy Forster: Why did the government cut total funding for Ontario Works financial assistance last year to the tune of \$109.5 million, a 4.6% cut? Can you explain where those cuts—

Hon. Helena Jaczek: I don't think there are any cuts. This is a mandatory program, so it responds to demand. Our Ontario Works numbers have been declining, as you probably know.

Ms. Cindy Forster: Right. Yesterday you gave caseload figures that are actually 10,600 below your projected caseloads. When we looked at this document here, the results-based briefing book, in the numbers you quoted yesterday there was a discrepancy of almost 11,000 cases lower for this year than what actually were in this book.

Hon. Helena Jaczek: I would say that's good news, is it not? Is this not—

Mr. Richard Steele: We'll have to take that back in terms of we're not sure what that discrepancy would be. There certainly has been a drop in caseload in the last years.

Hon. Helena Jaczek: There is a drop in caseload, so perhaps there was a newer projection than when the estimates were provided—

Mr. Richard Steele: We can certainly reconcile between the two numbers and explain why—it is difficult with the numbers changing every month to keep the numbers together, but we can certainly explain any variance there is.

Ms. Cindy Forster: So you'll get back to us on that?

Ms. Erin Hannah: We can. I just wanted to add, though, that we do know that the caseload actually declined by 2.7% in Ontario Works. So notwithstanding that there were increases, for example, in the rates themselves, there were changes related to increasing the asset limit of Ontario Works, the introduction of the \$200,

which have all caused flat-rate earnings exemption—the decline in the caseload as the economy begins to recover and people are exiting to jobs actually means that we may see expenditure declines that are not as high as what we originally forecast in January, at the beginning of every year.

Ms. Cindy Forster: The decline that I'm referring to is on the public accounts, page 2 of 95, just for your reference.

Today, you clarified that you'll provide \$179.8 million over three years for the developmental services sector front-line workers. Could you provide the committee with a written response at some point that provides the total additional funding for wage enhancements for each agency over the next three years, and does that form part of the agencies' base budget?

Hon. Helena Jaczek: Which agencies? I'm just wanting to understand—

Ms. Cindy Forster: The agencies that the \$179.8 million is going to for front-line workers.

Hon. Helena Jaczek: But obviously there are going to be negotiations taking place.

Ms. Karen Chan: It would be a period of time until we could provide that.

Hon. Helena Jaczek: Yes.

Ms. Karen Chan: We're just beginning those discussions.

Ms. Cindy Forster: Right. But maybe you could even provide us with what you're targeting.

Ms. Karen Chan: What we end up resulting in with the methodology?

Ms. Cindy Forster: Right.

Ms. Karen Chan: When we get that done—

Hon. Helena Jaczek: It's going to take some time.

Ms. Karen Chan: —the work that's under way.

Ms. Cindy Forster: Right. Okay.

I had one more question with respect to the federal government tax credit that actually came out of my office. Do I have a couple of minutes left?

The Vice-Chair (Miss Monique Taylor): Yes. You have four minutes left.

Ms. Cindy Forster: I have four minutes left. Ontario Works provides the Ontario child tax benefit to a maximum of \$500 per month in addition to the basic needs and shelter costs. What is happening—this was actually from a woman in my riding, Kaitlyn MacLeod, who is age 25 and has three small children. She received some money from the child tax benefit in October. It took a while for her to get approved. She did get an amount of money for the month of October, but she's still waiting for money for July, August and September.

Anyway, in the process of waiting for that money, she got behind on her bills, so she had to use the money that she should have repaid Ontario Works when she got her child tax benefit because of the delays at the approval stage from the federal government. Now, for the month of November, this mother with three kids has only \$2.50 to live on, and Ontario Works locally cannot release her more funds for basic needs or shelter.

I'm wondering, is this a common occurrence, that as people are waiting to be approved for the child tax credit, they're often finding themselves out there with no supports?

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Ms. Erin Hannah: Thank you. Just a little bit of context to help people understand, I think, the nature of your question: The federal government is the one that issues the child tax benefit as well as the National Child Benefit supplement, both of which, by the way, are exempt as income for the purposes of Ontario Works.

What we do provide within Ontario Works and the Ontario Disability Support Program, though, is a benefit called the Transition Child Benefit. It was introduced at the same time as the Ontario Child Benefit to prevent situations where people may find themselves in duress, either because they can't access the Ontario Child Benefit—for example, they have a newborn, and it's simply not in play yet—or they've forgotten to file their tax return. We give them a four-month period to be able to do that, and we'll provide them with the Transition Child Benefit to offset that.

Once they actually receive their federal benefits as well as their provincial Ontario Child Benefit—because we don't want to have duplication of the benefits that are provided, there is a requirement, in the first month following receipt, to provide some of the monies back. It's not the full amount of the monies, because we don't want to cause situations of such hardship.

I would never speak to a specific case, but I would say that that's not a common occurrence. In situations where somebody does find themselves in an emergency situation, they are strongly encouraged to visit their case-worker and talk about what supports might be available through, for example, discretionary benefits.

Ms. Cindy Forster: Okay. Last question, I guess: Why does your government continue to pursue rate restructuring each time the Ontario Child Benefit increases? This means that single parents on social assistance—the poorest—often see no increase because you claw back the same amount from social assistance as the OCB increases.

Ms. Erin Hannah: The introduction of the Ontario Child Benefit was, at its heart, intended to create a benefit that consolidated different supports for children who were in disparate areas of programming. The basic needs component of Ontario Works and ODSP, as well as two allowances at the time, were part of that consolidation. We do, as I mentioned, have some supplementary benefits that remain behind to ensure that there weren't huge negative impacts.

As the Ontario Child Benefit increases, we do offset those remaining supplements—we bring them down—because everybody is treated the same in the Ontario Child Benefit, regardless of where your income comes from. Whether it's fully from employment or fully from social assistance, you're treated the same. It's simply an income test, and that's why we continue to align with that objective.

We will be considering the go-forward path, given the decision to index the Ontario Child Benefit, which is a different construct than an outright increase.

Ms. Cindy Forster: So in fact, people will just continue to live in poverty because, as the federal government increases the child tax credit benefit, we continue to claw back on this end, so people really just continue to live in poverty unless something else happens in their life.

The Vice-Chair (Miss Monique Taylor): Thank you, Ms. Forster. We will now move to the government, and to Mr. Dong.

Mr. Han Dong: Thank you, Madam Chair.

Mr. Randy Hillier: The 18-minute infomercial.

Mr. Han Dong: Don't take away my limited time, Randy, please.

Minister, thank you very much for attending the estimates committee and giving us all these informative presentations on the portfolio that you have. I have to admit, it's perhaps not the most fancy portfolio out there, but it's very important.

I see that the colleagues on the other side are very much interested in the details of your portfolio. They've been asking a lot of technical questions, which for me is good. It's a sign that they are paying close attention and are very interested in the portfolio.

I believe in the work you do. It's definitely very important for this province. I think that our province is judged on how well we take care of our vulnerable. I think even the members opposite will probably share this view and perhaps envy this opportunity that we have to govern from the centre, so look after our budget—

Mr. Randy Hillier: The activist centre.

Mr. Han Dong: That's right, the activist centre. Thank you. See, you remember better than I do. Our communication has done its job.

In my riding, the great riding of Trinity-Spadina, we see a lot of growth in condos. There's a lot of people in suits and busy at work. It looks like they're doing very well. But I always get reminded that the median annual family income is just over \$60,000. So there are still a lot of people who we need to look after. They're struggling to find opportunities to work, to get on their feet, and it doesn't take much to knock someone off their feet financially, especially in this world of consumption on credit. It could happen to any of us. It's reassuring to know that we have the social safety net in place to look after these people.

I know that in the last couple of years there has been extensive review, analysis and investment by the Ontario government. I heard that in the same two years the Ontario Works rate went up by \$50 per month for a single adult. That is \$600 a year. To me, it's quite a significant amount, and it shows the commitment that we have to helping those people in a less fortunate position.

Can you help me and explain to the committee, what is the government's current strategy on investments in Ontario's social assistance programs, including Ontario Works and ODSP?

Hon. Helena Jaczek: Thank you very much, Mr. Dong, for those kind words. We're all convinced that we're doing very important work in accordance with our government's plan, as was detailed in the budget, which was successfully passed and on which, of course, we ran in the last election and were returned as the government. I'm sure you'll recall that chapter in the budget which details a fair society. I think that's confirmation from the people of Ontario that we're following their wishes also in ensuring that the most vulnerable in our society are looked after appropriately.

You mentioned the increase for singles on social assistance. That is an 8% increase this year, which is clearly going to make a difference. The reason that we increased in particular that group of individuals—singles without children on Ontario Works—is that, as the Lankin-Sheikh report detailed, these are the people who are actually falling behind. We need to ensure that they can take advantage not only of the basic shelter allowance and so on but also be supported through this increase, obviously maintaining their medical and dental benefits, should they be able to achieve some employment, to give them some security.

The Lankin-Sheikh report had many, many recommendations, and we are still looking at those to see how we can implement them because they were obviously the result of major consultations with municipalities and with stakeholders. I have a partnership table that we have many stakeholders sit at who advise us. One of the representatives on that partnership table comes from Voices from the Street, a very interesting organization based here in Toronto representing the homeless, essentially.

We definitely intend to move forward. In my mandate letter, as I mentioned previously, the Premier is asking me to look at social assistance reform. This was a very good step forward. We're very pleased with this initiative. It's being well received by our stakeholders. But we certainly do acknowledge there's much more to do.

I think Erin, who actually didn't get to talk very much yesterday but has been delighted to contribute today, probably would like to address a little bit where we're going with social assistance reform.

Ms. Erin Hannah: Thank you, Minister.

It's a great question because this is such a complicated system, both Ontario Works and the Ontario Disability Support Program. We've been very thoughtful about developing a measured, multi-year plan. It is, as the minister said, a work in progress in many ways.

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We have four pillars that actually are guiding our reform work as we look ahead. The first is around enhancing employment outcomes. In some ways it goes to the earlier question from the committee member about whether we think that we're already achieving the best outcomes that we could achieve. I think we would categorically say absolutely not. We think that we can do better and we want to do better. We want to focus the incentives that we can put in place, the tools, the access

to services and the integration and coordination of employment and training services across the full spectrum, not just within the social assistance arena, so that people actually are better able to prepare for jobs and step into the labour market and then, most importantly, of course, stay in the labour market.

A heavy part of our reform emphasis is on looking at strategies with our other ministry partners about how we can better support people who are more distant from the labour market, those who really are facing much more difficult barriers to taking that step forward.

The second pillar that we're looking at in terms of our reform is the access that people have to incomes as well as to other supports and benefits. The minister already spoke about—and you mentioned—the targeted rate increases that we have gone forward with in the past two years that really aimed at not only lifting the lowest levels of support for those people who are in deepest needs, which are the single individuals without children on Ontario Works—continuing to lift supports for people with disabilities receiving ODSP, as well as families receiving Ontario Works.

Part of that approach was also to start to narrow the disparity between the amount of support that individuals receiving Ontario Works and non-disabled individuals in ODSP families have access to so that we can start to harmonize the level of supports that people have access too, and not at the lowest common denominator. We're trying to gradually bring it up.

We think that there's more work to do on the adequacy front. We are actively looking at research, both internally and with our external academic partners, community agency partners etc., to look at what does adequacy really mean and what are your choices to put forward to the government to consider as we move ahead.

The other work that we're doing, and it was mentioned in the 2014 budget, is working with our partners in the Ministry of Health and Long-Term Care to consider options for how people might be able to access health benefits in a broader low-income population so that they're not only available within social assistance, which can increase what we call the welfare wall, so it makes it more difficult for people to leave.

The other two pillars that we're focused on are program integrity and accountability. It's not always the most sexy topic, perhaps I'll call it, but it really is critical to where we can place our investment. We're looking at opportunities to do business in new ways while also enhancing, through efficiencies, the integrity of the program. Some examples of that are exploring the move away from paper-based processes and really trying to look at, through service delivery excellence, which is the fourth pillar, what that can mean in terms of time spent with clients.

We're also looking at leveraging government buying power for different types of benefits through buy-direct arrangements. So there's a number of ways that we're trying to both address integrity but also move forward on a service-excellence agenda. As I mentioned, that's the

fourth pillar. This committee heard a lot yesterday about one aspect of our service modernization agenda, which is replacing our legacy technology, but there are other components that we're also looking at in terms of driving forward on our reform plan.

Mr. Han Dong: Well, thank you very much for the answer. I like the notion that you said that we can do better. In fact, I just put down something that came to my mind, which is the integrity and maintaining the original intent of the program, which is what you said about accountability. So I think we're on the same page. I'm very optimistic about the work you do. Thank you very much for the presentation.

The Vice-Chair (Miss Monique Taylor): Mr. Balkissoon?

Mr. Bas Balkissoon: Thank you, Minister. I guess I'll probably have the last question on this side, so I just want to say thank you to all your ministry staff because I did serve in a ministry at one time and I did have a complete tour of FRO and a few of the other departments. I think that, dealing with the public, you can probably be called the complaints department of the Ontario government because you do good work, but no matter how much you do, there's not enough for the people out there that you serve.

With that comment, my colleague on the other side, Mr. Hillier, was talking about ODSP. I just happen to have a presentation that I picked up during our committee work. I just want to read it to you because I think it will clarify why the drop-off in ODSP is such a small percentage. If you could make a comment, I'd accept.

In this presentation, it says that under the ODSP Act, a person with a disability is a person with a "substantial physical or mental impairment that is continuous or recurrent and is expected to last a year or more."

I go back to the words "substantial," "continuous" and "recurrent." In addition, "The physical or mental impairment must directly result in a substantial restriction to the person's ability to work."

It further goes on to say, "The impairment(s), its duration, and the restriction(s) must also be verified by an approved health care professional."

That act, if I remember correctly, was brought in by the Conservative government in 1997. Seeing the rules, for someone to qualify for ODSP, it's very difficult. Once they qualify, just by reading the rules, it tells me that they're not going to drop off the program very easily. They'll be there for a long time.

Therefore, whatever he was reading in the results book that only 2% dropped off the plan on an annual basis—this definition lends itself to say why those numbers are so low. Am I correct?

Hon. Helena Jaczek: In general, as I think you've obviously pointed out, the reason people are on ODSP to begin with is because they have a severe impairment. The caseload in general obviously includes a whole spectrum of disabilities. That spectrum goes through a physical disability, perhaps as a result of an industrial accident or

some other accident where the person is physically impaired. We are seeing a number of individuals with mental health issues. There are obviously, as we've discussed today, those with a developmental disability. So there's a broad spectrum, but these are people who definitely need our assistance in terms of their ability to achieve employment.

Can we do better? Of course. We believe we can. This is why we have these employment and modernization funds for the developmentally disabled, because some of it does relate to stigma.

Mr. Balkissoon, you and I were on the Select Committee on Mental Health and Addictions, and I remember one of the issues you brought to the table frequently was the issue of stigma in the workplace related to mental health situations and employers shying away from situations like that.

There's clearly a lot more that we need to do in terms of not only supporting individuals with disabilities, but trying to get them to achieve some measure of activity in the workforce. Whether it be volunteer positions, whether it be sheltered employment, whether it be competitive employment, it does require a lot of intensive support and individual tailoring of that individual's abilities—to use a positive word—and how they can be part of our society because, overall, our goal is inclusion.

The Vice-Chair (Miss Monique Taylor): Two minutes.

Hon. Helena Jaczek: As I said yesterday, the goal of social inclusion is something that does determine one's health status in general. We know that if people are involved, they can definitely be as healthy as possible when they are involved in that situation.

You bring a very important point, and perhaps, Erin or Karen, would you like to leap in, either of you, because—

Ms. Erin Hannah: Sure. I can say—

Hon. Helena Jaczek: It's Erin's day today.

Ms. Erin Hannah: And then I'll invite Karen.

The other side of the coin related to your question—it's not just the length of time that people stay within the Ontario Disability Support Program, and it's for a variety of reasons. Barriers to employment are certainly one of those reasons. We also, on the opposite side though, are continuing to see a caseload growth, and that really is driving a lot of our expenditures as well. The reason we're seeing that kind of growth is related to the definition of "disability for qualification," but the sense of the interpretation of that definition has expanded over time. We also have an aging population as the baby boomers grow older—

Mr. Bas Balkissoon: I would also say that diagnosis of the various disabilities has gotten better between today and the first day of the act.

Ms. Erin Hannah: Particularly in the mental health area.

Mr. Bas Balkissoon: Exactly.

Ms. Erin Hannah: We know that, of our new grants to ODSP, almost half are individuals whose primary or

secondary condition is a mental health condition. It makes a difference in the types of interventions you put in place to try to help people connect to the labour market as well and to support community inclusion, because we do think that employment isn't the only outcome for people. It really needs to be individualized. Social inclusion or community inclusion can be the right outcome for that individual. It's not a homogenous group of people.

The Vice-Chair (Miss Monique Taylor): I would like to thank the minister and her staff for appearing before the committee.

This concludes the committee's consideration of the estimates of the Ministry of Community and Social Services.

Standing order 66(b) requires that the Chair put, without further amendment or debate, every question necessary to dispose of the estimates.

Are the members ready to vote?

Mr. Randy Hillier: Recorded vote, Chair.

The Vice-Chair (Miss Monique Taylor): Recorded vote?

Mr. Randy Hillier: Yes.

The Vice-Chair (Miss Monique Taylor): Shall vote—

Mr. Randy Hillier: Chair, just a point of order once again: I understand that it's vote 701 that you're calling first?

The Vice-Chair (Miss Monique Taylor): First.

Mr. Randy Hillier: I see on vote 701 that we have the parliamentary assistant's salary included in that vote—

The Vice-Chair (Miss Monique Taylor): I'm sorry. There's no further debate—

Mr. Randy Hillier: No, it's a point of order, Chair. Should the parliamentary assistant not declare a pecuniary interest and—

Interjection.

The Vice-Chair (Miss Monique Taylor): No. We're going to move on now. Thank you, Mr. Hillier.

Shall vote 701 carry?

Mr. Randy Hillier: Recorded vote.

Ayes

Balkissoon, Dong, Kiwala, Rinaldi, Wong.

Nays

Forster, Hillier, Walker.

The Vice-Chair (Miss Monique Taylor): Carried.

Shall vote 702 carry? Carried.

Ms. Cindy Forster: Mr. Hillier asked for a recorded vote.

The Vice-Chair (Miss Monique Taylor): On everything?

Mr. Randy Hillier: It's fine.

Ms. Cindy Forster: Oh, you're fine.

The Vice-Chair (Miss Monique Taylor): Okay.

Shall the 2014-15 estimates of the Ministry of Community and Social Services carry? Carried.

Shall I report the 2014-15 estimates of the Ministry of Community and Social Services to the House? Carried.

Adjourned.

The committee adjourned at 1748.

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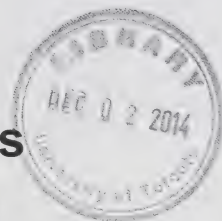
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Tuesday 18 November 2014

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Mardi 18 novembre 2014



Standing Committee on
Estimates

Ministry of Energy

Comité permanent des
budgets des dépenses

Ministère de l'Énergie

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 18 November 2014

Mardi 18 novembre 2014

The committee met at 0900 in committee room 2.

MINISTRY OF ENERGY

The Chair (Ms. Cindy Forster): Good morning. The committee is about to begin consideration of the estimates of the Ministry of Energy for a total of 7.5 hours. As we have some new members, a new ministry and a new minister before the committee, I'd like to take the opportunity to remind everyone that the purpose of estimates committee is for members of the Legislature to determine if the government is spending money appropriately, wisely, and effectively in the delivery of services intended.

I would also like to remind everyone that the estimates process has always worked well with a give-and-take approach: on one hand, if members of the committee take care to keep their questions relevant to the estimates of the ministry, and the ministry, for its part, demonstrates openness in providing information requested by the committee.

As Chair, I tend to allow members to ask a wide range of questions pertaining to the estimates before the committee to ensure they are confident the ministry will spend those dollars appropriately. In the past, members have asked questions about the delivery of similar programs in previous fiscal years; about the policy framework that supports a ministry approach to a problem or a service delivery; or about the competence of a ministry to spend the money wisely and efficiently. However, it must be noted that the onus is on the member asking the question to make the questioning relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised, so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and the issues being tracked by the research officer.

Are there any questions before we start?

Mr. Randy Hillier: Chair?

The Chair (Ms. Cindy Forster): Mr. Hillier?

Mr. Randy Hillier: The official opposition made a request for live streaming of the estimates committee and simultaneous translation. It looks like the simultaneous translation may be under way, but is the live streaming?

The Chair (Ms. Cindy Forster): Actually, it is impossible to do the live streaming. We would have had to move into 151, and I understand that there is another committee in there this afternoon.

Mr. Randy Hillier: So there'll be no live streaming.

The Chair (Ms. Cindy Forster): There will be no live streaming.

Mr. Randy Hillier: Okay.

The Chair (Ms. Cindy Forster): I'm now required to call vote 2901, which sets the review process in motion. So we will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition first, followed by 30 minutes by the third party. The minister will then have 30 minutes to reply, and the remaining time will be apportioned equally between the three parties.

Minister, you're on.

Hon. Bob Chiarelli: Thank you very much, Chair, and good morning, committee members.

I'm pleased to be here today to speak about the Ministry of Energy's 2014-15 estimates. I'd like to start by introducing the senior ministry officials here today, starting on my left with the deputy minister, Serge Imbrogno. And if the others that I am going to mention would just raise your hand as I mention your name: assistant deputy minister of the energy supply division, Rick Jennings; assistant deputy minister of the conservation and renewable energy division, Kaili Sermat-Harding; assistant deputy minister of strategic network and agency policy division, Michael Reid; and assistant deputy minister of corporate services, Rob Burns.

I want to recognize the hard work, dedication and commitment that these leaders, public servants, have been performing over the last number of years.

Before I go into specifics, I want to use my opening remarks to provide the context for action and framework within which we, the Ministry of Energy, undertake to move Ontario forward. I would like to outline some of the priorities we have as a government at the Ministry of Energy. In doing that, I would like to highlight the five principles that guide our energy policy decisions: cost-effectiveness; reliability; clean energy; community engagement; and an emphasis on conservation and demand management before building new generation.

Reliable electricity at a reasonable cost attracts investment to the province. It is critical to building our industries and driving the modern technology we depend on.

This year, indeed, Ontario attracted more direct foreign investment than any other North American jurisdiction.

At the same time, we need to fulfill our energy needs while protecting our health, the environment and the quality of life of our communities, and our ministry is charged with providing Ontarians with a safe, clean, reliable and affordable supply of electricity. Our system manages everything from the generating stations, the transmission and distribution system, and the millions of consumers across Ontario.

Here I'd like to acknowledge and recognize the hard work of our agencies and partners: the Ontario Energy Board, OEB; the Ontario Power Authority, OPA; Independent Electricity System Operator, IESO; Ontario Power Generation, or OPG; Hydro One; and, of course, the utilities and the local distribution companies, who are the face of energy for the people of Ontario.

These agencies develop, transmit and distribute new, sustainable sources of energy to supply Ontario's electricity needs, when and where they need it, at a total annual cost of between \$18 billion and \$20 billion per year. In saying that, we are also searching out efficiencies and ways to keep costs down.

When we launched our long-term energy plan, *Achieving Balance*, in December 2013, it had the support of generators and consumer groups, of environmental activists and unions, because it was a collaborative exercise, and our ministry and agencies learned that the best outcomes in this sector are those which are driven by collaboration and mutual respect—a tremendous amount of expertise in the private sector and in the agencies.

As I mentioned in my introduction, our plan balances the five principles to guide our decisions. Again, those are an emphasis on using conservation and demand management before building new generation; cost-effectiveness; reliability; clean energy; and community engagement. Our plan and these five principles will continue to guide our efforts.

I would like to address those efforts now and how each, in turn, is helping us deliver on our core mandate of a clean, reliable and affordable electricity system.

A core pillar of our LTPE, or long-term energy plan—I'll refer to it as LTPE for the remainder—is our conservation-first vision. Conservation is the cleanest and one of the most cost-effective energy resources we have. The more we save, the less we need to look for sources of new supply. Conservation initiatives located in specific geographic areas can also eliminate the need and cost to build or sustain transmission and distribution infrastructure. This will result in significant cost savings, and so our aim is to consider conservation as the first option before building new generation or transmission facilities, wherever cost-effective. This means adopting a conservation-first mindset throughout our planning, approval and procurement processes. It means bringing that mindset to work with our partner agencies, local distributors and ministries. And it means building a culture of conservation in Ontario, with current and evolving conservation programs.

The OPA and OEB are in the process of giving life to the government's conservation vision with updated conservation demand management and demand-side management frameworks. These will be administered by our local distribution companies in partnership with customers large and small. These require contracts to be signed by the distributors and the Ontario Power Authority, and those contracts are in the process of being signed.

We have set aggressive targets, but the pace of innovation and technological change in the world today highlights that we must be nothing short of bold and aggressive when it comes to conservation.

0910

For example, New York state and Manitoba have launched successful on-bill financing programs that better highlight for customers the energy savings associated with upgrading infrastructure, such as heating, cooling and insulation products. In fact, just two months ago the Ministry of Energy held a consultation to discuss how Ontario can move faster in this direction.

Additionally, Ontario's time-of-use pricing has been successful in reducing peak demand, but some jurisdictions have gone even further. For instance, Ohio and Oklahoma have run critical peak pricing events with extremely positive results. Average bill reduction per participating customer over a summer period was around \$260, with a peak demand reduction of about 125 megawatts. This is yet another program we can learn from.

As we move forward, our conservation vision includes working to implement best in class codes and standards to adopt world-leading technologies that can help drive energy consumption and costs down.

At this time, I would like to share a couple of examples of some great commercial partners working with us and taking part in conservation initiatives like the *saveONenergy* for business program, including the *saveONenergy* retrofit initiative.

In Ottawa alone, Home Depot's conservation upgrades have reduced energy consumption by 1,659,000 kilowatt-hours, or enough electricity to power over 200 households. That's just in Ottawa—and they are participating in this right across the province, virtually every one of their outlets.

Also in Ottawa, in partnership with the OPA, the Canadian Tire Centre—the home of the Ottawa Senators, I might add, and a very, very major 20,000-seat capacity facility—implemented a new state-of-the-art sport lighting package in their arena. This reduction equates to one million kilowatts each year, or the equivalent of 1,745 60-watt light bulbs running 24/7.

In addition, using our conservation programs, Tim Hortons has announced plans to install LED lighting in all of its newly built restaurants and retrofit nearly all existing restaurants in favour of energy-efficient lighting in the coming years.

These are just some examples of the innovative and practical way that conservation can help drive costs down for consumers, large and small, at the same time as reducing the cost pressures in the system.

In fact, everything we do at the Ministry of Energy keeps the ratepayer in mind. As we demonstrated in the LTEP, we have bent the cost curve down from 2010 to 2013. We have reduced cost pressures as a result of the reduced feed-in tariff—FIT—prices coming down, the ability to dispatch wind generation instead of letting it run holus-bolus, the amended green energy investment agreement—Samsung—and the decision to defer new build nuclear. The total previously projected costs have been reduced by \$20 billion.

Compared to the projections in the 2010 long-term energy plan, the total cumulative costs of electricity service to ratepayers is expected to be \$16-billion less in the near term, that's 2013-17, and \$70-billion less over the life of the plan, 2013-30. For a typical residential customer, that means they will pay about \$520 less than they would have in the near term, 2013-17, and \$3,800 less over the course of this long-term energy plan, 2013-17.

Meanwhile, a typical large industrial consumer is expected to pay \$3 million less than the previous 2010 forecast in the near term, and \$11 million less over the life of the plan, 2013-30. That's by reason of us taking out of our plan \$20 billion of either existing operations, such as Samsung, or not moving forward with new nuclear.

While this represents a dramatic improvement from our government's 2010 LTEP projections, we know that our work to mitigate electricity rates will always be a challenge and must remain a priority. The National Energy Board projects every province as having annual increases in their energy rates for the next 20 years.

We understand that customers, both residential and commercial, are concerned about rates. Our government is committed to an affordable, clean and reliable electricity system for all consumers. We are determined to find efficiencies that can mitigate electricity costs even further and programs to do the same. This is a key priority for our ministry and for this government.

We have merged OPA and IESO into the new IESO, increasing efficiencies by streamlining and consolidating short-term electricity market operation with long-term system planning and reduce overlap. The merger of the OPA and IESO will lower costs through less staff and reduced overhead. But the real savings potential for ratepayers will occur in the long term as system planning is better coordinated and contracting functions become more efficient.

And we recognize that Ontario's LDC sector is balkanized, cumbersome and inefficient. With 77 LDCs serving our customer base of 13 million, compared to four utilities in California serving a population three times the size, we know that there are inadequacies built into the sector. To implement all the robust initiatives of LTEP and drive our conservation agenda, it will be ultimately beneficial to achieve consolidation among these municipal LDCs. In fact, in 2012, a panel of David McFadden, Murray Elston and Floyd Laughren found that nearly \$1 billion in savings to ratepayers could be

possible if Ontario was successful in pursuing a more consolidated vision for the sector. Our ministry will continue to pursue options to encourage these kinds of cost-saving consolidations.

I'd like to turn now to practical solutions for energy consumers. We're determined to deliver savings to hard-working families. The province has programs in place that help consumers manage rising electricity prices:

The Ontario Clean Energy Benefit helps families, small businesses and farms manage electricity prices by taking 10% off hydro bills.

The Ontario Energy and Property Tax Credit saves qualifying individuals up to \$963 per year, with a maximum of \$1,097 per year for qualifying seniors.

The Low-Income Energy Assistance Program provides emergency financial support for families and individuals having trouble paying their bills, and our current budget has improvements to that type of program.

The saveONenergy Home Assistance Program helps income-eligible consumers manage their energy costs by providing home energy-efficiency assessments and energy-saving measures at no cost.

And the Northern Ontario Energy Credit helps families and individuals in northern Ontario by providing tax credits for low-to-middle income families and individuals living in northern Ontario. The maximum annual credit for a single person is \$139, and for a family, including single parents, it's \$214.

In addition, as we announced in April, we are moving forward with a plan to remove the cost of the debt retirement charge from residential electricity bills after December 31, 2015, which is three or four years earlier than originally planned. We are working with the Ministry of Finance to deliver on this commitment.

We also directed the Ontario Energy Board to develop options for the Ontario Electricity Support Program, which would provide ongoing assistance directly on the bills of eligible low- and moderate-income electricity consumers after December 31, 2015. This new program would help families who may be spending a disproportionately high percentage of their income on electricity.

We also understand how important it is to help businesses address rising energy costs. We have a range of programs and incentives already in place. The industrial conservation initiative helps many of Ontario's large consumers—well over 200—save on costs by reducing the amount of electricity they consume during peak hours. Examples of companies already taking advantage of this program include Vale, a nickel-mining company in Sudbury and Port Colborne; ArcelorMittal, a steel producer in Hamilton; and Gerdau Ameristeel, also a long steel producer in the GTA.

Because of these successes and others in the mining, steel, auto, manufacturing, forestry, and pulp and paper sectors, we recently expanded the ICI program to allow for participation from a wider range of companies. Expanding the ICI helps more of Ontario's large consumers save on costs by reducing the amount of electricity they consume during peak hours, shifting consumption to

off-peak periods. By participating in this program, many of Ontario's businesses have been able to lower their electricity costs by a full 25%—25% on average, in fact.

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Across the province, we estimate that nearly 1,000 more businesses will be able to participate in this expanded initiative, which reduces the cost of their electricity. This is excellent news, as it decreases the need for investment in costly new electricity generation by maximizing the value of current assets, and, importantly, delivers lower-priced electricity.

A second, equally important program we have initiated for industrial consumers is the industrial electricity incentive, or IEI, which offers reduced electricity rates for companies starting in or coming to Ontario, or expanding operations in Ontario. The new application window for the third stream closed on November 10.

By expanding the IEI Program, using our surplus power, hundreds of newly eligible companies can qualify for electricity rates among the lowest in North America in exchange for creating new jobs and bringing new investment into the province.

There are already concrete examples of companies taking advantage of the IEI Program, Stream 2 across Ontario. In Pembroke, for example, the MDF paperboard plant has reopened, or is in the process of reopening, after being accepted into the IEI Program, creating 140 new jobs for the area. In Whitby, Atlantic Packaging is expanding their paper mill and creating 80 jobs with the help of the IEI Program. And in Cochrane, Detour Gold says the program will save them \$20 million in 2014 alone while they expand what will be one of the largest gold mines in Canada.

Third, our Demand Response programs compensate participating customers for reducing their electricity use during peak demand in response to price signals or other criteria. For example, Loblaw's and other large businesses participate in Demand Response programs by reducing additional lighting and cycling down air-conditioning and refrigeration systems in times of increased provincial demand, reducing their electricity costs.

And we are implementing a five-point small-business energy-savings plan, announced in April 2014. Our five-point program includes roving energy managers who will be available to small businesses on a fixed-term basis to provide support and assistance every step of the way on an energy-savings project, from applying for incentives to installing energy-efficiency measures.

The program is helping small businesses manage electricity costs and save money by offering enhanced conservation programs. For example, Giant Tiger is already saving \$300,000 a year from their participation in a pilot project offered by Ottawa Hydro.

In sum, while we seek to drive down total system costs through conservation initiatives and prudent system planning, our government has also implemented a wide range of programs for industrial, commercial and residential customers with the express intention of helping families and businesses manage their bills.

Our long-term energy plan includes additional principles: our commitment to clean energy and reliability.

This past April, we reached a major milestone when the Thunder Bay generating station burned its last coal supply and Ontario officially went 100% off coal. This is a tremendous achievement. In fact, it was the single biggest climate change initiative in North America, like taking seven million cars off the road, in terms of emissions.

In July, we reintroduced legislation that would, if passed, ensure that coal will never again be used to generate electricity in Ontario. We are saving approximately \$4 billion per year in avoided health care and environmental costs.

Meanwhile, Atikokan generating station completed its conversion from coal and is now North America's largest power plant fuelled completely by clean biomass.

So now, coal is gone, but we know there's still more we can do to support the growth of a safe, affordable and diverse supply mix.

Approximately 50% of our electricity each year comes from safe, reliable nuclear power. It is our government's intention to ensure nuclear power remains affordable for the next generation, as provided for in our long-term energy plan. We will work with Ontario Power Generation and Bruce Power to ensure that the planned refurbishments are carried out efficiently, on time and on budget. Nuclear power will continue to provide emissions-free, safe, affordable power and will sustain a supply chain of 60,000 workers in the province of Ontario.

In keeping with our commitment to a clean and diverse supply mix, we will continue to lead our government's commitment to renewable energy. Our target is to have 20,000 megawatts of renewable energy online by 2025. That's wind, solar, hydroelectricity and bioenergy.

In order to accomplish that, we've set the following priorities:

- continuing to work with the IESO and OPA to implement a new competitive procurement process for large renewable energy projects;

- working with our agencies and municipal partners to ensure communities have an opportunity to identify local needs and inform siting considerations; and

- ensuring contracts signed with energy producers can deliver sustainable, affordable energy to Ontario ratepayers.

Inasmuch as our domestic supply mix needs to be robust and diverse, we are also seeking to expand our reliance on imports from neighbouring jurisdictions as well. When it makes sense from a cost and reliability perspective, we will seek to expand the amount of firm imports that make up our system's reserve requirements from Quebec or Manitoba hydroelectric resources.

As part of our 2013 LTEP, the OPA and IESO were asked to study the role that transmission connections, or interties, with other jurisdictions can play in our supply mix, going forward. The result was a robust study, the Review of Ontario Interties, released just last month. The

review outlines the interconnected nature of our electricity grid with not only our Canadian provincial neighbours, but also US jurisdictions to the south.

Ontario already benefits from the trade of electricity with its neighbours. For example, electricity exports generate revenue for Ontario ratepayers that would not otherwise be received, which, in turn, reduces costs for Ontario consumers.

In fact, in January—just this year, 2014—Ontario exported to Quebec as Quebec was experiencing record peak demand due to colder-than-normal temperatures. Over a nine-day period we generated over \$8 million in revenue from Quebec. Quebec does not have an adequate supply in their peak winter.

Ontario is also committed to working with other jurisdictions to explore opportunities for firm electricity imports to determine if they are cost-effective for Ontario ratepayers. I recently had a series of meetings with my Quebec counterpart, Minister Pierre Arcand, where we continued the discussion about maximizing the use of existing inertia capacity and exploring future capacity exchanges. I'm happy to share with members of the committee that the two provinces are collaborating on a number of energy-related projects that will ensure safe, reliable and affordable supplies of clean electricity pass between Ontario and Quebec to the ultimate benefit of Ontario ratepayers and Confederation.

The fifth and final guiding principle in Achieving Balance is community engagement. Our government has taken important strides to bring community engagement to the centre of our decision-making framework. Our policy calls upon municipalities and aboriginal communities to develop their own community-level energy plans to better help inform local and regional decision-making for power. In saying that, we will support these efforts through the Municipal Energy Plan Program and the Aboriginal Community Energy Plan Program, the latter offering capacity funding grants of up to \$90,000 to support the creation of these local energy plans.

Furthermore, we are committed to giving municipalities meaningful opportunities to participate when decisions are being made about siting renewable energy projects. We are providing for a greater local voice and responsibility. After broad consultation, we have increased local control over renewable siting and brought stability and predictability to procurement.

The OPA and the IESO are continuing to implement their report and associated 18 recommendations included in their framework, Engaging Local Communities in Ontario's Electricity Planning Continuum.

For large renewable projects, the Ontario Power Authority has developed a new bidding process in which projects that have the support of local communities will be given priority. Indeed, it will be very difficult for a project to go forward without some significant local collaboration.

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We changed the small FIT program rules to give priority to projects partnered with or led by municipal-

ities. We will likewise work with our partner ministries and agencies to ensure that First Nation and Métis communities are consulted on any energy activity that could adversely affect their aboriginal or treaty rights.

Our government is committed to working with local communities to ensure that our electricity planning future reflects their needs as well as the broader needs of the electricity system. There is an important balance, which I know we can achieve if we work together.

Some concluding remarks: In Ontario, we may be focused on addressing our own sector and the challenges we have there, but we also have a role to play when it comes to our country and the world at large. Premier Wynne and Quebec Premier Philippe Couillard announced that they will hold a joint cabinet meeting on November 21, Friday of this week. Exploring increased electricity trade will be on the agenda at the half-day event. Over the last two months, we have held a number of inter-ministerial meetings between Ontario and Quebec, and the two Premiers have met on several occasions.

As part of that process, we will be collaborating, along with other Ontario ministries and with other provinces and territories, on the development of a Canadian Energy Strategy. There is none that exists today. It is essential that we safeguard Ontario's interests in the course of developing that strategy, making sure that it delivers on principles that matter to us, like conservation, combatting climate change and ensuring the safe, affordable transportation and transmission of energy, including pipelines.

But these opportunities do not only confine themselves to our national borders. To the extent that our ministry agencies can help support the Ontario-based energy supply chain—those 60,000 workers—for global economic opportunities, we will continue to do so. For example, wind turbine blades built by Siemens in southwestern Ontario have recently been exported to Sweden. Also, California and Hawaii have recently reached out to the IESO and OPA to learn more about Ontario's early pilot procurement of energy storage technologies. I have personally met with consular officials from India and Japan, as have other officials, in recent months, looking to increase partnerships with Ontario energy and electricity companies, both public and private.

My point here is that while we have spent an awful lot of legislative time examining where our electricity sector is and where it could use improvement, we have ignored our successes. I daresay we're overdue to acknowledge our shared accomplishments. Ontario is a recognized world leader, or very near the top, in a number of areas, including in nuclear power, in scale and technology; in renewable energy; in transitioning out of coal; in innovation; in our smart grid; in our supply mix; in our clean system; in system operations and management; in demand management; in storage technology; and in the reliability of our transmission.

Our ministry's task is to provide Ontarians with a clean, reliable and affordable supply of electricity where and when it is needed. Working collaboratively with our agency partners and with the public and private sectors,

with environmental groups and with unions, we intend to do just that.

Now I look forward to answering any questions you might have. I have to inform the committee that when my staff learned that the member from Renfrew–Nipissing–Pembroke was going to be here, they tried to find a hard hat and flak jacket for me, but they couldn't find any, so I'm totally exposed.

Interjections.

The Chair (Ms. Cindy Forster): We'll move to the official opposition. Mr. Hillier, 30 minutes.

Mr. Randy Hillier: Thank you very much. Minister, it's always a pleasure to see you. It amazes me how you can always have such a straight face when you're talking about energy production and capacity in this province.

I want to first start by asking—I was going through the estimates and I did not see any contingency funds for the number of lawsuits, significant lawsuits, that the Ministry of Energy is facing: the \$475-million lawsuit for the moratorium on offshore wind and, of course, another high-profile lawsuit, the constitutional challenge on wind. Can you explain to me, or can you show me in your estimates where your contingency funds are for those lawsuits, or are you not carrying a contingency fund?

Hon. Bob Chiarelli: First of all, I want to say that given the breadth of the electricity system in Ontario, the number of lawsuits are remarkably small. When you look at the FIT program, the numbers of contracts that were let, you look at all the power purchase agreements we have gone through, it's an enormous system.

As I indicated in my remarks, the whole electricity sector—

Mr. Randy Hillier: But, Minister, are you carrying a contingency fund in the estimates for these significant lawsuits?

Hon. Bob Chiarelli: I intend to provide an answer to that.

Mr. Randy Hillier: We have 30 minutes. My questions will be brief, Minister, and I expect the responses to be brief, as well, and concise.

Hon. Bob Chiarelli: I think it's important for committee members to have some context, and your question is being answered.

Given that there is \$18 billion to \$20 billion being spent to manage the electricity system in the province of Ontario, it would be probably unwise for us not to have contingencies. I'm going to refer this to the deputy minister, but my understanding is the Ministry of the Attorney General has contingencies to deal with lawsuits across the whole government sector. But I'll pass that on to the deputy.

Mr. Randy Hillier: Thank you.

Mr. Serge Imbrogno: The minister is correct: MAG would centrally hold contingencies for these types of lawsuits. I think you will probably find them in public accounts, but we can get that information to you.

Mr. Randy Hillier: If you could get that. Thank you.

Also, going through the public accounts for the last year, Minister, I saw that there was a payment of \$5.4 million to MaRS, and I was wondering if you could

explain to the committee what that payment was for, from your ministry.

Hon. Bob Chiarelli: Yes. We have a number of programs, for example, the Smart Grid Fund, which use funding to incent innovation programs in the energy sector, and I understand that MaRS has been very active in that area. There are a lot of projects which have been successfully implemented through MaRS, providing innovations to the sector. But, again, I will defer to the deputy to give you some more details on that.

Mr. Serge Imbrogno: The \$5.4 million was provided to MaRS for the Advanced Energy Centre.

Mr. Randy Hillier: For the what?

Mr. Serge Imbrogno: The Advanced Energy Centre.

Mr. Randy Hillier: Okay.

Mr. Serge Imbrogno: As the minister said, it is intended to help build on our investments in electricity infrastructure, mainly to help Ontario companies that are commercializing to export that to other jurisdictions.

Mr. Randy Hillier: I appreciate that you won't have all the details, but would you be able to provide a detailed explanation of that Advanced Energy Centre, what the taxpayer got for that \$5.4 million?

Mr. Serge Imbrogno: It's an initial investment with a business plan over the next three to five years, but we can provide you with the details of what the centre is doing, what our review of the centre—

Mr. Randy Hillier: And specifically what that—and that advanced Energy Centre, that is an activity of MaRS, or is that your ministry's program and MaRS is taking advantage of it?

Mr. Serge Imbrogno: It would be MaRS that's setting up the Advanced Energy Centre. We would have provided the initial funding. They are supposed to go out and get private sector funding, as well, to match and then deliver on the business plan over the next three years.

Mr. Randy Hillier: Okay. I'll looking forward to getting those details from you a little bit later on.

Minister, you mentioned in your remarks that your ministry has a view of conservation before new build and that you're focused on conserving energy before you produce any new generating capacity. You also mentioned in your opening remarks that by 2025, you're looking to have 20,000 megawatts of renewable capacity built in. My records show that we have about 4,200 megawatts of renewables already connected and another 4,000 megawatts due online this year. Is that correct?

Hon. Bob Chiarelli: Renewables include hydroelectricity. So the renewables include the Niagara generating station. It includes the very, very significant Lower Mattagami program north of Cochrane, Ontario. So when we talk about clean, renewable energy, bioelectricity and hydroelectricity is included in that—

Mr. Randy Hillier: So you're grouping all those into—

Hon. Bob Chiarelli: That's all included in—

Mr. Randy Hillier: Not just what we generally associate with wind, solar and biomass.

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Hon. Bob Chiarelli: Yes.

Mr. Randy Hillier: Let me ask you this, then: Last year, we lost \$1.2 billion on exports of our energy for 2013. The latest records show that we lost—in the month of October just past, that we produced 1.8 terawatt hours of electricity that we did not have a demand for in this province, but we still have at least another 4,000 megawatts of wind, solar and biomass coming online this year. That doesn't sound like it jives with your view of no new build before—conservation first. We're already in a position where we have greater supply and less demand. We exported 1.8 terawatt hours in the month of October alone and that generated a loss of about \$100 million for the month for hydro for your ministry.

Can you explain to me, when we're in a position where we have greater capacity than what our demand is, why we are building more new generating systems when you've just said you're into conservation first?

Hon. Bob Chiarelli: First of all, the electricity sector is fairly dynamic in terms of—for example, we're looking at a number of nuclear units that are coming to the end of their natural life cycle and we have a process for refurbishment. We either refurbish or we build new nuclear, and so as those units are coming out of use, they're either going to be refurbished or we need new generation for it. As they're being refurbished or we're building new, we have to take the units out of commission and so we need to replace that with new generation. That's part of the answer. The other part of the answer—

Mr. Randy Hillier: Well, let me clarify—

Hon. Bob Chiarelli: I'm sorry, you asked a question—

Mr. Randy Hillier: But I need clarification—

Hon. Bob Chiarelli: I'm going to answer your first question.

Mr. Randy Hillier: You've said something that is confusing to me.

Hon. Bob Chiarelli: I'm going to answer your first question.

Mr. Randy Hillier: Minister, I ask the questions in this committee.

Hon. Bob Chiarelli: And I answer them.

Mr. Randy Hillier: Okay. I asked you about the 20,000 megawatts by 2025, and you included hydro-electric in there. Now you're talking about nuclear as well. That 20,000 megawatts by 2025 does not include nuclear production, correct?

Hon. Bob Chiarelli: Sir, with respect, you are asking about surplus of electricity, among a number of other things.

Mr. Randy Hillier: That's right.

Hon. Bob Chiarelli: So I have to take them one by one.

Mr. Randy Hillier: Let's keep the apples and the apples together.

Hon. Bob Chiarelli: I'm sorry, I'm answering the surplus question. Number one, it is good electricity operations practice to have a surplus and a reserve in the system at all times.

Mr. Randy Hillier: That we lose money on each month.

Hon. Bob Chiarelli: That we have in reserve in case we have another major ice storm that hit eastern Ontario in 1998 that caused all that devastation.

Mr. Randy Hillier: I was there.

Hon. Bob Chiarelli: The reality is, you have to have—

Mr. Randy Hillier: It wasn't from lack of generating capacity, Bob. Let's keep to the facts and not the fairy tales, okay? The 1998 ice storm had nothing to do with windmills or solar panels, okay?

Hon. Bob Chiarelli: It has a lot to do with surplus power.

Mr. Randy Hillier: I asked you a question: Last month, we exported 1.8 terawatt hours—that was for one month, and we lost about \$100 million in that one month. The previous year, we lost \$1.2 billion on our energy exports. Clearly, we have a greater capacity—we do have surplus capacity—than we have demand for in this province. The facts demonstrate that. I'm not arguing that there ought not to be some level of surplus, but I'm challenging your question about conservation over new build when we have all this other new production coming online and we're in a hole right at the moment with our surplus. Why are we bringing on 4,000 more megawatts this year when we're already—just last month we had to constrain both Bruce Nuclear and our wind producers. We had to pay them not to produce last month. We already have surplus.

Hon. Bob Chiarelli: We have electricity trades that happen all the time among the jurisdictions that are connected legally in the grid, from New York to New England, Manitoba and Quebec. We in fact have electricity trades to have a reliable system, and we have more than the actual day-to-day needs, or a surplus and reserves, to help balance the system for a number of reasons, including contingencies like an ice storm, where you are going to have to be able to find that electricity somewhere else in the system in order to be able to turn the lights back on.

We've had that experience. So we know that we need a reserve and a surplus, and what do we do with that? Number one, yes, we sell it, and sometimes it's less than our base cost. We also use that surplus for the IEL Program, for example. It's that surplus electricity that is going into Pembroke and creating 140 jobs for the MDF paperboard plant and for the ones that are going into Detour Gold to help them expand their mine operation, saving \$20 million a year for economic development and jobs.

Mr. Randy Hillier: Okay. So we're going to have all the ratepayers of this province lose \$100 million in October for surplus so that one or two people will get a benefit. We're going to lose \$1.2 billion—maybe I'll ask you this question. We lost \$1.2 billion last year in our energy exports. What is your estimate of our losses for 2014 and 2015 cumulatively?

Hon. Bob Chiarelli: I don't accept the premise of the question that those are losses. I'm going to defer that to

the deputy to indicate to you maybe in more technical terms what that additional energy is for, how it's used and what it does to our bottom line.

Mr. Serge Imbrogno: Sure. Maybe I'll just frame it the way we think of it in terms of doing energy planning and—

Mr. Randy Hillier: Maybe I'll just get to the start. If we can't agree with the facts, then there's no point having a discussion. It's been widely reported that we lost \$1.2 billion last year in our energy exports. Do we agree on that fact?

Mr. Serge Imbrogno: The way I would describe what we do in terms of energy planning is, we build supply to meet our peak demand plus a reserve, as the minister was saying. It's a dynamic system. It's very hard to predict your supply and demand each and every year.

Mr. Randy Hillier: Sure.

Mr. Serge Imbrogno: So you have a plan and you build to that plan. Now, we don't build in Ontario to have exports; we build in Ontario to meet our needs. As you go on, if you have more energy that you have produced because you have additional capacity, then our perspective is, if you can sell it and make some money off that energy, then you're actually helping the ratepayer. We don't build additional capacity to export; we build capacity to meet Ontario needs. If we have additional power, we trade it, and that helps offset our costs.

Mr. Randy Hillier: Okay. So however you want to frame it, on our trades we sell it for less than what we paid for it, resulting in a difference. We pay the producers X dollars to produce and then we sell it for half of X or a quarter of X. We see this. We also see that it's very clear that we pay some of our contracted power generators not to produce at all, correct?

Mr. Serge Imbrogno: We dispatch some of the—

Mr. Randy Hillier: "Dispatch" is a nice euphemism, but you pay people not to produce at times. You do it with Bruce, you do it with all our wind powers, and you use the term "dispatch," right?

Mr. Serge Imbrogno: Well, we try and maximize the system. So at times we would not run Bruce or not run wind—

Mr. Randy Hillier: Yes. So you pay them not to run. While they're running, they produce. When they're not running, they don't produce, right?

Mr. Serge Imbrogno: Well, just on wind, we had some negotiations where—

Mr. Randy Hillier: Sure.

Mr. Serge Imbrogno: —for the first 50 hours, we don't pay them. So technically—

Mr. Randy Hillier: Listen, I understand that we want to have a margin of surplus. We all can understand that, because you don't know specifically and exactly how much is going to be needed at any particular point in time. But let's get back to the question. What are our estimated losses—do you have an estimate—for this year and next year, cumulatively, in our losses of trades?

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Hon. Bob Chiarelli: Can I ask you to give me 30 seconds without interruption? Just a few seconds, okay?

Mr. Randy Hillier: Well, if you can answer the question—60 seconds.

Hon. Bob Chiarelli: Walmart buys snow blowers. They expect to sell X number of snow blowers in a winter. At the end of the winter, if they haven't sold those snow blowers, they sell them at a discount. They're selling them for less than their costs. That's part of doing business.

The electricity system is exactly the same as Walmart. Why do they have sales? Why do they sell a product that is worth X number of dollars in November for less when they're selling it in March or April? Why do they do it? They're giving it away. They're losing money. How much have they lost?

Mr. Randy Hillier: Listen, snow blowers? I think you're trying to snow us here, Minister. We understand that there can be potential losses at different times, but in a cumulative over the year, the facts show you lost \$1.2 billion. I'm asking you, what are you projecting as your losses, total, for this year and for next year? It's a pretty simple question. What are you projecting?

Hon. Bob Chiarelli: I don't accept the premise of the question, number one, that there are losses—

Mr. Randy Hillier: You've just agreed that you lose money on your trades. How much are you projecting to lose on your trades?

Hon. Bob Chiarelli: You know what? The Walmart auditor says, "How much are you going to lose because you didn't sell those snow blowers?"—

Mr. Randy Hillier: Give me a nice Walmart greeting today, Bob, instead of snowing us here.

Hon. Bob Chiarelli: I'm trying to make it simple for you.

Mr. Randy Hillier: Just answer the question: What are you projecting your losses are going to be? You know what new production is coming online. You know what you have presently. You must be projecting demands, so there must be a margin there that you're working with, hopefully. If you guys aren't working with some margins and looking at what is going to happen, then we have to question your whole operation, right? You would be absolutely negligent if you didn't forecast your generating capacities and the demands.

Mr. Serge Imbrogno: I would just say we pay generators for the capacity as part of our market. There's also a market-clearing price. We've already paid for that capacity. What we're saying is that when we export, it reduces those fixed costs that we've already incurred. So when the IESO does the study for us to say, "What is the benefit of exporting?" their number is that it reduced costs by \$300 million.

I think we just have a different perspective. We're building a system to meet capacity. If we have leftover energy, we sell that and it reduces our costs.

Mr. Randy Hillier: Right, and that's what I asked. You've got 4,000 more megawatts of contracted power coming online this year. How is that going to affect that position?

Mr. Serge Imbrogno: I don't have those exact numbers, but just to give you context, we're saying that by

2019-20, the province is going to be short on capacity. We need to add now to make sure that we're in a good position by 2019.

Mr. Randy Hillier: Now, in 2019, if we're going to be short of capacity then, is that because you're expecting some of our nukes to be non-operational at that time?

Mr. Serge Imbrogno: Part of it is we're anticipating Pickering will be out of service by then, so that's 3,000 megawatts that will come off. So we need to build the capacity to make sure we're—

Mr. Randy Hillier: So you do do projections.

Mr. Serge Imbrogno: No, it's in the long-term energy plan. All our projections are here.

Mr. Randy Hillier: That's right. So what is the projection for your loss on trades, or your dispatching—whatever euphemism you'd like to use. What is your projection?

Mr. Serge Imbrogno: I don't have it readily available, what we think our exports are going to be.

Mr. Randy Hillier: Would you be able to provide that to the committee after?

Mr. Serge Imbrogno: I think, based on what we predicted in LTEP, we could provide that to the committee.

Mr. Randy Hillier: You could provide that. Okay. That would be most wonderful, and then we can get on to further questions.

How much time have we got left?

The Chair (Ms. Cindy Forster): About 10 minutes.

Mr. Randy Hillier: Ten minutes. Would you like to have a question too, John?

Mr. John Yakabuski: Okay, Randy. I would like to ask on a similar line of questioning, maybe in a different way.

You're talking about conservation and demand management being the cornerstone of your energy policy. That's your number one priority in your opening statement today, Minister.

To Randy's point, we're still talking about bringing on significant amounts of renewables into the system. You can slice and dice it any way you want, but it is the non-dispatchable nature of renewables that has led to much of our problem with respect to exporting power at a loss. As you say, it's a loss, because the market at the time that we're exporting, that is the time when the demand in those jurisdictions is not forcing them to buy power at a premium. They're buying power at a negative cost because they have the ability—in the case of Quebec—to store energy, with holding back their water in their large power developments. They can operate their system somewhat differently than we do, so they're taking advantage of the problem that we've created through your Green Energy Act back in 2009.

When you talk about \$20 billion in savings by the changes you've made in your new long-term energy plan, it must give you some idea of how bad the old one was, if you can save \$20 billion by making those changes. The old one must have been really, really bad.

So what we've got here, then, is continuing to build generation capacity, yet paying people to use less energy

through conservation programs, which is only going to likely exacerbate our problem until such time as we start taking nukes offline to refurbish them. We understand that, but until that time, the problem is likely to get worse, not better, unless there's some other significant growth in the province of Ontario—and based on Minister Sousa's fall economic statement yesterday, that's not likely to happen any time soon. So, for the near term, we're looking at an increase in that excess capacity, which will only lead us to export more, likely at a loss, because it's happening at times when the demand is not going to force people to pay us a premium. It's supply and demand, just like your snow blower story. When there's no snow, somebody is going to get that snow blower for less. When there's no demand for that energy, they're going to get it for less.

I think it's a fair question as to: Do we need those projections going forward as to what the expectation is? Because that \$1.2 billion—whoever saves money, somebody else pays it in our energy system. The demand must meet the supply. However you're spending the dollars, somebody else has to pay them. Randy made the point of your IEI Program. I'm thankful to have that in Pembroke. I think it's good for the job market in Pembroke. But if we didn't have the energy policy that you folks have, those programs wouldn't be necessary because the price of electricity would be more competitive. But it's because the price of electricity has been driven so high that you're forced to make all of these demands, and we'll get through them as we go through this estimates procedure.

All of those things have led you to have sales, if you want to call it that, on energy, because of the fact that you've driven the price up through your energy policies. I think it's a fair question to the minister and the deputy minister that you must be able to tell us, for the next five years, at least until Pickering goes down in 2020—or at least half of the units, 2,000 megawatts—we need to know what our expectations should be, because the ratepayer, the senior citizen on a pension who is on the Ontario Clean Energy Benefit, which you say you're going to eliminate. When those things start to disappear, they're still paying for all of those other programs. They are in their hydro bills. How is this going to affect them over the next five years?

Mr. Serge Imbrogno: Maybe I can just try and answer some of that.

Mr. John Yakabuski: I know I said a lot.

Mr. Serge Imbrogno: In terms of what's in our long-term energy plan, we have six modules that have lots of the underlying information, so we'll get you the details that you're looking for.

But at a high level, I just want to say in terms of conservation, when we do our planning, we do a projection of what we think gross demand is going to be, and then we say, "Well, what can we do that's economic in terms of conservation, both programs and energy efficiency codes and standards, and that reduces that demand?" Then we build our supply up to that reduced demand. What conservation really does, it allows us not to build

additional capacity. When we say we do conservation first in our planning, we're saying that we're going to take into account all these conservation measures and when we do our system planning for new capacity, we only build to that reduced line.

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The other innovation I think we introduced in this long-term energy plan is we said that we usually get our demand forecast wrong, even though we're trying to keep it flat. When we look back at other plans, we usually over-forecast our demand. So we introduced a concept called plan flexibility that says we're not going to commit resources today for what we think might be a capacity gap; we kind of left that unallocated. That's another thing. As we go along and we do our updates each year, we'll say, "Are we tracking to our plan?" If we are, then we might need to add additional capacity.

I think we take conservation into account as a first resource, and then in our planning we're also very conservative in terms of what we're committing to.

Mr. John Yakabuski: We don't necessarily expect to get the answers we want, but we do understand that you are giving us an answer, whether we like it or not; it may not be the answer we want. I'm going to move on because I think we've exhausted that issue for the time being.

The Chair (Ms. Cindy Forster): You have about three minutes.

Mr. John Yakabuski: I find it a little rich sometimes that you make a statement talking about the money that's going to be saved by the merger of the OPA and IESO, yet you don't talk about the \$1.1 billion that the decision to cancel and relocate the gas plants in Mississauga and Oakville led to. You trumpet the savings and you say "millions."

I'd like to know what your expectation is over the next 20 years, which is how long we're going to be paying for those gas plants. Over the next 20 years, let's compare the two figures. You made a comment at one time that this was a cup of coffee a month or whatever it was—I don't remember the exact quote—for the cancellation and relocation of these plants. Well, if that's a cup of coffee, I don't think the amount that you're saving at the IESO and OPA merger would even amount to anything measurable.

What are the yearly savings? You say "millions." What are the yearly savings expected to be for the merger of the OPA and the IESO?

Hon. Bob Chiarelli: First of all, the merger of those two organizations had two goals or two ends, or maybe three. Number one, it was to provide better-coordinated service. There was significant overlap in terms of system planning, for example, so that has all been consolidated. In consolidating the organizations, the savings I think they're projecting are somewhere in the order of—and they're still working on them—\$20 million or \$25 million per year, and I'll ask the deputy to confirm that. So the two goals are, number one, to have more efficient operations, to prevent the overlap—

Mr. John Yakabuski: I understand the goals. I appreciate that.

Hon. Bob Chiarelli: That was a significant problem—moving forward. The other is to have the operational efficiencies, and that is being worked on. The number of employees that will become redundant—it's not a large number. I think the range is somewhere between 30 and 40. We've had discussions with the unions, so they're okay with the transition—

Mr. John Yakabuski: Can I move on? I got the figure; that's what I'm looking for. So was it \$20 million to \$25 million, or \$25 million to \$30 million?

Mr. Serge Imbrogno: The number is in the \$5 million to \$7 million range, but we're—

Mr. John Yakabuski: Oh, \$5 million to \$7 million—

Mr. Serge Imbrogno: Each year.

Mr. John Yakabuski: So for 20 years, we'll give you the high. That's \$140 million over 20 years versus \$1.1 billion over 20 years, the cost of cancelling and relocating the two gas plants. We're talking about an 8-to-1 ratio.

Hon. Bob Chiarelli: You may recall that—

Mr. John Yakabuski: No, but would we agree that that's the factor then? I've given you the high, \$140 million over 20 years versus \$1.1 billion over 20 years. Those are the two figures we're talking about here. Would we agree on that? A simply yes or no.

Hon. Bob Chiarelli: Yes. The number that the auditor presented—

The Chair (Ms. Cindy Forster): We're out of time. We're going to move on to the third party—

Hon. Bob Chiarelli: The numbers that the Auditor General had presented—

The Chair (Ms. Cindy Forster): Mr. Tabuns?

Hon. Bob Chiarelli: —when you add them all up—

Mr. Peter Tabuns: Thank you, Chair.

Hon. Bob Chiarelli: —the highest option that you could look at is \$1.2 billion, but it could be less than that—

Mr. Peter Tabuns: Minister, I apologize. I know my colleagues will bring you back to that question when it's their turn.

Your ministry is responsible for overseeing OPG and Hydro One, and is intimately involved with them. As you're well aware, Mr. Ed Clark's panel is suggesting partial sale of Hydro One's distribution assets. It could be a majority privatization; it could be a minority. That's not clear yet. But you have the same understanding as me, that he's recommending a privatization of Hydro One distribution assets?

Hon. Bob Chiarelli: He's recommending that Hydro One dispose of a portion of its distribution business. To use the term "privatization," I think, might be jumping to a conclusion. It may very well be that there will be one or two large distributors, LDCs, who would want to make an acquisition of those. As a matter of fact, you're probably aware of the fact that the Electricity Distributors Association has actually created—and they might

likely be one of the potential bidders for Hydro One distribution. I'm not sure—

Mr. Peter Tabuns: I think you've answered my question. We're agreed that it's looking like there will be a sale of Hydro One assets.

Hon. Bob Chiarelli: To some entity.

Mr. Peter Tabuns: To some entity.

Hon. Bob Chiarelli: The due diligence is still being done on that.

Mr. Peter Tabuns: My understanding is that Mr. Clark's mandate is to retain public ownership of core assets. Is that also your understanding?

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: In the context of peripheral versus core assets, I understand—and I had a sheet distributed. I think you have it there. This is page 24 from Hydro One's 2013 annual report. If you look on the sheet, you'll see the revenue from distribution in 2013, at roughly \$4.4 billion, and the revenue from transmission, at roughly \$1.5 billion.

Hon. Bob Chiarelli: I'm having trouble finding it.

Mr. Peter Tabuns: If you look at the bottom half of the page, you'll see "Year ended December 31" and then "Transmission" and then "Distribution." The 2013 numbers are bolded.

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: So as I see it, distribution accounts for \$4.4 billion in revenue, and transmission accounts for \$1.5 billion in revenue. Is that a correct reading?

Hon. Bob Chiarelli: Yes. I think the deputy is going to answer that.

Mr. Peter Tabuns: That's fine.

Mr. Serge Imbrogno: Technically, that's correct, but the \$4.4 billion includes the cost of electricity that is collected and goes to the ISO. So in terms of what Hydro One retains, it's a small portion of that \$4.4 billion.

Mr. Peter Tabuns: Those are the questions that I need answered. Given that this is a very big chunk of revenue, how is this seen as a peripheral rather than a core part of the business?

Hon. Bob Chiarelli: Sorry?

Mr. Peter Tabuns: If you're getting \$4.4 billion in revenue from a particular activity, and your other major activity, transmission, is \$1.5 billion, how is it that distribution is seen as a peripheral activity?

Hon. Bob Chiarelli: First of all, there has been no determination yet as to what percentage of distribution might be disposed of, so that number could be very, very flexible. It could be quite modest, or it could be more significant.

Again, as the deputy said—explain again what the flow-through is.

Mr. Serge Imbrogno: Mr. Tabuns, what we look at is a net income. What does it contribute to the bottom line of the province? I'd say there, about 40% is distribution and about 60% is transmission. As the minister said of that 40%, it's not clear how much of that would be subject to transaction.

Mr. Peter Tabuns: Okay. So if I'm reading this correctly, you'll see the net income figure is \$803 million. You're saying 40% of that—

Mr. Serge Imbrogno: Approximately. Just from my days at finance, sometimes when they do consolidation, it might be a different number that's consolidated onto the province's books, so I would just caution on that. It might be a different number if you check it with public accounts. But I think it's in that range.

Mr. Peter Tabuns: I'm going to ask if you could provide that number to us, say, possibly tomorrow. If it's in public accounts, it should be easy to secure.

Mr. Serge Imbrogno: It should be. I just don't know if they separate it from OPG and Hydro One. But we'll get you what's publicly available.

Mr. Peter Tabuns: Okay. But your best assessment at this point is that 40% of that net income comes from the distribution side.

Mr. Serge Imbrogno: About 40% would be distribution.

Mr. Peter Tabuns: Does that whole \$803 million go into the provincial treasury?

Mr. Serge Imbrogno: We would consolidate that, so it would—I'm just saying it might not be the full \$800 million. As we consolidate, the province might pick up most of that. But, yes, that would come in to the province.

1010

Mr. Peter Tabuns: And if the province doesn't keep all of that \$800 million, where would other portions go to?

Mr. Serge Imbrogno: What we've done in the province is that it comes in and it gets dedicated to the Ontario Electricity Financial Corp. to help pay down the stranded debt. It gets used in that fashion.

Mr. Peter Tabuns: Okay. So the money doesn't stay with Hydro One. It doesn't stay—

Hon. Bob Chiarelli: The consolidation issues—the transactions of this type are usually done through finance, so we'd have to get that information from finance.

Mr. Peter Tabuns: Okay. I think you've answered my question in terms of what percentage.

If, say, half of the distribution assets were sold off to another operator, whether they be private or partially private or public—40%—you're talking maybe \$120 million, \$150 million that would no longer be flowing into the province's coffers. Is that correct?

Hon. Bob Chiarelli: Mr. Clark has presented an overall picture of the various recommended—at this point we have to keep in mind that these are recommendations that are being made, and that there has been an acknowledgement that there would be a loss of revenue or net profit to Hydro One.

Mr. Clark at this point in time is saying that that would more than be made up through the additional revenues that would be coming from LCBO, and that would net off that way. But there would still be a significant net benefit on the fiscal side.

Mr. Peter Tabuns: That's interesting to me. We would be increasing our revenue from LCBO to pay for the loss of revenue from our hydro assets. How does that increase the province's total income if the gain in one is offset by a loss in the other?

Hon. Bob Chiarelli: You're asking very good questions.

Mr. Bob Delaney: Point of order on that.

Hon. Bob Chiarelli: You're asking very good questions.

The Chair (Ms. Cindy Forster): Excuse me. Point of order: Mr. Delaney.

Mr. Bob Delaney: Chair, while the question is a fair one, it might better be directed at the Ministry of Finance, who follow this ministry in estimates. I understand Mr. Tabuns's question, but I think he may be directing it to the wrong minister.

The Chair (Ms. Cindy Forster): I guess that's up to the minister to decide.

Mr. Tabuns.

Mr. Peter Tabuns: I guess the key thing is, from your side of the operations, you're going to see a drop in revenue. I'll set aside the LCBO, because I didn't ask about it initially. But you will see a drop in your revenue if this sale goes forward. Is that correct?

Hon. Bob Chiarelli: There is likely going to be a loss of revenue to Hydro One.

Mr. Peter Tabuns: And if it's lost to Hydro One, it's also lost to the treasury.

Hon. Bob Chiarelli: No.

Mr. Peter Tabuns: Well, sorry—

Hon. Bob Chiarelli: Because there are a number of transactions that are taking place, and those transactions will have an overall very significant positive net impact on the fiscal position of the province.

Mr. Peter Tabuns: I'm actually not as interested in that side—

Hon. Bob Chiarelli: We're very interested in that.

Mr. Peter Tabuns: I know you're very interested in that. But in terms of my questions, Hydro One revenue that will go to the province will be reduced. Correct?

Mr. Serge Imbrogno: If there is a transaction, we would get a lump sum payment, and then we would lose—

Mr. Peter Tabuns: The ongoing revenue.

Mr. Serge Imbrogno: —whatever portion that is, if it's 40%.

The Chair (Ms. Cindy Forster): One more minute, Mr. Tabuns.

Mr. Peter Tabuns: Have you done an assessment of the reduction in efficiencies at Hydro One if it loses a big chunk of its distribution assets? Because it's consolidated now; it's the biggest consolidated distributor. Surely there will be loss of efficiency if part of it is broken up.

Hon. Bob Chiarelli: There are expectations that there will be improvements in efficiency through these initiatives.

Mr. Peter Tabuns: How will Hydro One be more effective if big chunks of it are sold off?

Hon. Bob Chiarelli: Mr. Clark is working those out right now.

Mr. Peter Tabuns: And he has not talked to you about your operations and what impact—

Hon. Bob Chiarelli: Well, you know what? He has presented a report, and the report speaks for itself, as far as it's gone. I'm not going to pre-empt what additional due diligence he's—

Mr. Peter Tabuns: Has he not talked to you already? Has he not asked you questions about the impact?

The Chair (Ms. Cindy Forster): Mr. Tabuns, our time is up so we will return after routine proceedings this afternoon. Committee is adjourned.

The committee recessed from 1015 to 1600.

The Chair (Ms. Cindy Forster): Ms. Armstrong, you have 19 minutes to ask the minister and the Ministry of Energy your questions.

Ms. Teresa J. Armstrong: Thank you, Chair. Hello, Minister.

Minister, we're talking about energy in the estimates committee. According to the IESO, Ontario exported 18.3 terawatt hours of electricity, or 18.3 billion kilowatt hours of electricity, in 2013. I'd like to ask you if this is correct.

Hon. Bob Chiarelli: Sorry, can you repeat the question again?

Ms. Teresa J. Armstrong: Sure. According to the IESO, Ontario exported 18.3 terawatt hours of electricity, or 18.3 billion kilowatt hours of electricity, in 2013. Is that correct?

Hon. Bob Chiarelli: I don't have those numbers in front of me. I can ask my deputy if he's got those numbers.

Ms. Teresa J. Armstrong: Or if we could—

Hon. Bob Chiarelli: The IESO puts out a lot of reports with a lot of statistics that are very transparent with respect to those issues, but I don't have—I might have them here in my notes if you can give me a minute.

Ms. Teresa J. Armstrong: Could I request that we get that in writing later? Because it may be a lot of notes to go through—for the sake of time. Is that okay? Could we get that later on from the report?

Hon. Bob Chiarelli: We might have it here. I think the deputy—

Mr. Serge Imbrogno: What number are you using?

Ms. Teresa J. Armstrong: According to the IESO, Ontario exported 18.3 terawatt hours of electricity, or 18.3 billion kilowatt hours of electricity, in 2013. I'm just trying to determine if those numbers are correct.

Mr. Serge Imbrogno: I'm just looking through their 18-month outlook, but I can't find that figure. I'm not saying it's correct or not—

Ms. Teresa J. Armstrong: No, I understand, but if you find it, could you maybe let us know later on so we can move on to the next question? How about we do that. Could I request that we get the information upon receipt now, or later on? They are big numbers, there.

Next question: It sold this electricity at 2.65 cents per kilowatt hour and it cost \$8.55 per kilowatt hour to

generate. Do we know if that's correct? Is that something you could readily find while in committee?

Hon. Bob Chiarelli: Sorry, where are you getting those numbers from?

Ms. Teresa J. Armstrong: We're getting them from the IESO—according to the IESO.

Hon. Bob Chiarelli: Assuming that they're from the IESO, we can make an assumption that they're correct, unless you're misreading them.

Ms. Teresa J. Armstrong: Okay. So you're going to say that is correct.

Hon. Bob Chiarelli: If you can tell me what document you got the numbers from, then we might be able to resolve that issue at this point.

Ms. Teresa J. Armstrong: I can check, but I understand it's from the IESO documentation that we have. I'll check in a moment.

The next question I've got is: The \$8.55 per kilowatt hour cost that Ontarians paid out of their pocket to generate this energy includes the average weighted wholesale market price—

The Chair (Ms. Cindy Forster): Ms. Armstrong, do you want to move a little bit away from the mike? That's good.

Ms. Teresa J. Armstrong: Sorry. The next question is: The \$8.55 per kilowatt hour cost that Ontarians paid out of their pocket to generate this energy includes the average weighted wholesale market price of 2.65 cents per kilowatt hour and the average global adjustment of \$5.90 per kilowatt hour. Is this correct?

Hon. Bob Chiarelli: Again, if that's coming from an IESO document, then we would assume that it's correct. If you can tell me what document it comes from, what the source of it is. The IESO puts out statistics on a regular basis. They do quarterly reports, indicating multiple statistics with respect to the operation of the electricity system. I accept the numbers that the IESO puts out. So if you could just let us know what the source is, then we could probably resolve that issue some way.

Ms. Teresa J. Armstrong: Okay, we'll get that for you.

Next question: Hydro users in five neighbouring jurisdictions—Michigan, New York, Minnesota, Manitoba and Quebec—paid on average only \$2.65 per kilowatt hour for Ontario-produced energy that cost \$8.55 per kilowatt hour to generate. Do you know if that's correct?

Hon. Bob Chiarelli: I can't confirm those exact figures. If you're getting them from the IESO, and let us know what document they're from at the IESO, then we can have a discussion.

Ms. Teresa J. Armstrong: Okay. Can I ask for a five-minute recess? May I ask for a five-minute recess so I can actually see if we can get that document?

The Chair (Ms. Cindy Forster): Is it agreeable?

Mr. Bob Delaney: Chair, the member is welcome, on her next round of questioning, to use the period in between this round and the next round to verify whatever she—

The Chair (Ms. Cindy Forster): We're not going to debate this issue. The issue is, do we have unanimous consent for a five-minute recess?

Mr. Bob Delaney: No.

The Chair (Ms. Cindy Forster): If not, Ms. Armstrong, just move on with your questions.

Ms. Teresa J. Armstrong: Okay. Again, the questions I have—based on that, I think, we're going to say this exported electricity cost Ontarians \$1.564 billion to generate, and hydro users in the neighbouring provinces and states paid us only \$485 million to use it. Again, any thoughts on those numbers, if they're correct?

Hon. Bob Chiarelli: What is the source of those numbers?

Ms. Teresa J. Armstrong: That's the source in question, which I'm trying to get a recess for, that your colleagues won't grant.

Could I ask for a bathroom recess? No? Okay, good try there.

Mr. Bob Delaney: Chair, I mean, look—

The Chair (Ms. Cindy Forster): Ms. Armstrong, just continue on with your questions.

Ms. Teresa J. Armstrong: All right. Again, the next question leads into the numbers, so I'll go there. Based on those numbers, this means that hard-pressed Ontarians subsidized hydro users in five neighbouring jurisdictions to the tune of \$1.07 billion in 2013. This works out to \$220 for each of Ontario's 4.9 million ratepayers. Is that correct?

Hon. Bob Chiarelli: Again, I need to know the source of the numbers. I can't—

Ms. Teresa J. Armstrong: I understand.

Hon. Bob Chiarelli: The question is, from my point of view, somewhat imprecise, without knowing the context, like who provided the numbers. I wish I could be more helpful, but I can't answer a question that I don't understand.

Ms. Teresa J. Armstrong: Okay. We'll try this one. Maybe there's some answer we can get here. Hydro-Québec recently signed a long-term contract with Vermont at 5.7 cents per kilowatt hour. Any knowledge around if that was correct?

Hon. Bob Chiarelli: No. I haven't been tracking the prices that Quebec is selling their power at.

Ms. Teresa J. Armstrong: Okay. May I request to make a motion for a 20-minute recess at this point?

The Chair (Ms. Cindy Forster): Yes.

Ms. Teresa J. Armstrong: Okay. Motion requested.

The Chair (Ms. Cindy Forster): Is there any comment or debate on a 20-minute recess? All those in favour?

Mr. Randy Hillier: Of the recess?

The Chair (Ms. Cindy Forster): Yes. Opposed? Carried.

The committee recessed from 1610 to 1630.

The Chair (Ms. Cindy Forster): Ms. Armstrong, you have nine minutes.

Ms. Teresa J. Armstrong: Okay. So just to clarify, then, this information, Minister, is from the IESO web—

site, and our critic and staff met with the IESO staff and they confirmed that these numbers are correct. So let me start from the first question—and I also want to correct the record: When I quote the kilowatt hour, it's in cents, not dollars.

So, first question: According to the IESO, Ontario exported 18.3 terawatt hours of electricity, or 18.3 billion kilowatt hours of electricity, in 2013. Is that correct?

Hon. Bob Chiarelli: If it's on the IESO website, I will accept those numbers.

Ms. Teresa J. Armstrong: It sold, this electricity, at 2.65 cents per kilowatt hour, and it cost 8.55 cents per kilowatt hour to generate. Is that correct?

Hon. Bob Chiarelli: If that's on the website, that's correct, yes.

Ms. Teresa J. Armstrong: The 8.55 cents per kilowatt hour cost that Ontarians paid out of their pockets to generate this energy includes the average weighted wholesale market price of 2.65 cents per kilowatt hour, and the average global adjustment of 5.90 cents per kilowatt hour. Is that correct?

Hon. Bob Chiarelli: If that's on the IESO website, yes.

Ms. Teresa J. Armstrong: Hydro users in five neighbouring jurisdictions—Michigan, New York, Minnesota, Manitoba and Quebec—paid an average of only 2.65 cents per kilowatt hour for Ontario-produced energy that cost 8.55 cents per kilowatt hour to generate. Is that correct?

Hon. Bob Chiarelli: If that's on the IESO website, it's correct.

Ms. Teresa J. Armstrong: So this exported electricity cost Ontarians \$1.564 billion to generate, and hydro users in neighbouring provinces and states paid only \$485 million to use it. Is that correct?

Hon. Bob Chiarelli: Well, I think just on the fact of the bold statement, I would suggest that it's not correct. I understand that you met with the IESO and that the IESO provided information to you. They also provided to you information that said—and I can recall questions coming up in question period with respect to this after the meeting you had with the IESO, where the IESO said quite specifically that in 2013, revenue from electricity exports reduced costs for Ontarians by \$300 million. So that number is also correct. That number comes from the IESO. I'll try to explain why or how those numbers are rationalized.

The electricity system is planned to meet peak demand, which could be four, five or six days a year, and it's planned to have enough electricity to meet contingencies and reserves—contingencies like ice storms and other things that happen. The electricity system, as it's managed by the IESO, really has two redundancies or two backups. Those backups require us to have the capacity to meet those peaks and those contingencies.

Ms. Teresa J. Armstrong: Okay—

Hon. Bob Chiarelli: That means to have those redundancies, to have those backups—

Ms. Teresa J. Armstrong: With all due respect, Minister, I have to interrupt you. I just want to get a yes-or-no

answer, if you can provide it. In other words, this exported electricity costs Ontarians \$1.564 billion to generate, and hydro users in neighbouring provinces and states paid only \$485 million to use it. Is that correct? If you can answer yes or no, I would appreciate it.

Hon. Bob Chiarelli: I will say that the IESO, the same source that you're quoting, has said, "Revenue from electricity exports reduced costs for Ontarians by \$300 million in 2013." That information was provided to you at the same meeting where you received these numbers, and from the meeting that you had with the IESO.

Ms. Teresa J. Armstrong: Okay. I'm going to go to the next question. Minister, this means that hard-pressed Ontarians subsidized hydro users in five neighbouring jurisdictions to the tune of \$1.07 billion in 2013. This works out to \$220 for each of Ontario's 4.9 million ratepayers. If those are the numbers we're using, Minister, would you say that is correct?

Hon. Bob Chiarelli: That is an incorrect characterization of what the facts are. The reality is, the electricity system has to have more capacity than in fact the demand, on a regular basis, to account for those four or five times a year when we do reach peak. We have to have that in reserve. By having that generating capacity in reserve, that means we have the opportunity, instead of just having it in reserve, to make good use of that unused capacity by selling it at the market price.

Ms. Teresa J. Armstrong: Good point. That leads right into my next question. Hydro-Québec—

The Chair (Ms. Cindy Forster): Ms. Armstrong, you have about two minutes left.

Ms. Teresa J. Armstrong: Hydro-Québec recently signed a long-term contract with Vermont at 5.7 cents per kilowatt hour. Do you know if that is correct?

Hon. Bob Chiarelli: What I do know, after having had three meetings with the Quebec Minister of Energy, Pierre Arcand, is that he confirmed—and at the meetings, we also had Hydro-Québec in attendance. They confirmed that the price they are selling their electricity for—we can produce it for less than that in Ontario. That's the information that we have from Hydro-Québec, out of the mouth of the CEO of Hydro-Québec in meetings that we had.

Ms. Teresa J. Armstrong: If Quebec can get 5.7 cents, why are we getting 2.5 cents per kilowatt hour? Can you answer that question, please?

Hon. Bob Chiarelli: It depends on the market and the terms. The reality is, Quebec's power deals are what are called firm commitments. They're long-term commitments over 10, 15, 20 years. The capacity between Quebec and Ontario is for about 500 megawatts. We don't have the capacity, nor does Quebec have the capacity, between us to sign long-term firm contracts.

Ms. Teresa J. Armstrong: So according to you, does there not seem to be a compelling argument for greater use of long-term contracts in Ontario energy rates trading, based on the numbers we just talked about from the IESO and the Vermont contract?

Hon. Bob Chiarelli: If you read our long-term energy plan, it said quite specifically that we will engage Quebec

and Manitoba to see if we can get firm long-term contracts with them. We've had a series of meetings with them. It's also in the IESO report—what's it called?—the intertie report. The intertie report, which IESO put out, indicated quite clearly that we do not have the transmission and infrastructure capacity to do long-term firm contracts with Quebec. Again, Quebec has verified that.

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We require more than \$2 billion in infrastructure investments—

The Chair (Ms. Cindy Forster): Your time is up.

Hon. Bob Chiarelli: —in order to have long-term contracts with Quebec—

The Chair (Ms. Cindy Forster): Minister?

Hon. Bob Chiarelli: —and they also have very significant infrastructure costs—

The Chair (Ms. Cindy Forster): Minister, you're now into your 30-minute response time.

Hon. Bob Chiarelli: How much into it am I?

The Chair (Ms. Cindy Forster): Thirty seconds.

Hon. Bob Chiarelli: Oh, okay. I'm going to get into my response time now. I want to say that some of the comments will overlap a little bit with my comments this morning, but essentially there's new information.

What I want to say, basically, is that when I took over the energy portfolio in February 2013, Ontario had already made significant advances in our electricity system. We had broadened our supply mix, with one third of our electricity capacity coming from wind, solar, bio-energy and hydroelectric energy. We went from deficit to surplus, from dirty to clean. We had invested in modernizing our electricity grid, but there was clearly more to be done.

When I took this job, one of the first commitments I made was to produce a new long-term energy plan, because with an important mandate like ours—providing Ontario homes and businesses with a clean, safe, reliable and affordable supply of energy, specifically electricity—a strong, cohesive plan is a must.

Today our plan—Achieving Balance is what it's called—continues to be the framework from which all of our policy decisions emanate and from which we will derive an energy system that will continue to be sustainable and cost-effective. Now that close to a year has passed, I want to use my additional time today to focus on our accomplishments and to mark our progress against the long-term energy plan yardstick.

Conservation first: Probably the most significant change in the new plan is our commitment to consider conservation and demand management before building new generation and transmission. In fact, the plan focuses on conservation as the first resource for meeting our electricity needs. This is important because conservation is one of the cleanest and most cost-effective energy resources, and it is one way that consumers can reduce their energy bills. That's why our government is committed to ensuring that conservation will be considered before building new generation and transmission facilities, wherever cost-effective.

More broadly, we want to make conservation the default starting point in anyone's planning, and I'm pleased to say that Ontario, with the help of our partners, has already made great progress in building a culture of conservation.

For example, just this past month I visited Tim Hortons and Home Depot Canada locations to highlight their commitment and engagement in conservation. This is a win-win scenario. Saving energy helps Ontario and it makes good economic sense for these companies. It helps them compete and succeed, meaning they can grow and create good jobs.

We know we can do much more, and we are committed to expanding and enhancing our conservation efforts. In saying that, we started down that path with smart meters, because to manage your electricity use, you first need to know how much you are using and when you consume it.

We launched the Smart Grid Fund, which supports the development of new and emerging technologies that bring system-wide benefits to Ontario's homes and businesses, like fewer service disruptions, less wasted energy and increased grid security. This funding supports advanced energy technology projects such as energy storage, demand response and electric vehicle integration. The first round of the Smart Grid Fund supported nine projects and created more than 600 direct and indirect jobs. In fact, I'm looking forward to announcing a new round of projects in the next couple of weeks which will build on existing successes.

We also launched the Green Button Initiative, which gives consumers the opportunity to access and to download their smart meter data and connect it to software applications—new technology.

This past February, we took the next step in the Green Button Initiative when we announced the winners of the Energy Apps for Ontario Challenge. The challenge celebrated the best new apps to use smart meter data to help Ontario families and businesses better understand and manage their electricity use.

I want to note that this challenge delivered two main benefits. First, the apps themselves will give Ontarians greater information about their energy use, and second, developing the apps helps the province extend its leadership in innovative smart grid technology.

Our next step was to introduce the new Conservation First Framework. Ontario has had a conservation framework in place with their LDCs since 2011, but the current framework is winding down and we know we can do more. We want to build on the successes we've achieved. So our government worked with local distribution companies and energy agencies to develop a new framework. We received valuable feedback from our partners and now the new Conservation First Framework is set to roll out in January 2015.

It will run for six years. It will give local distribution companies more autonomy, flexibility and independence, and the ability to unleash their own creativity to best serve the customers that they know best. They will have

the latitude to design programs to serve their regional customers and that reflect the constantly changing needs of Ontario's homes and businesses.

In fact, just yesterday, PowerStream announced that it has already signed on to the Conservation First Framework for 2015 to 2020, making it the first distribution company to do so. PowerStream has been assigned a target of 535 gigawatt hours for its service territory. In total, the Conservation First Framework is expected to achieve seven terawatt hours of savings by the end of 2020. That's an important step in helping Ontario meet its conservation target of 30 terawatt hours by 2032.

The 30-terawatt-hour target represents a 16% reduction in the forecast gross demand for electricity. We will reduce our electricity needs by 16%. It is equivalent to more than all the power used in the city of Toronto in 2013, and an improvement over the 2010 long-term energy plan.

Now, before I move on, I just want to say a few words about energy literacy. For conservation programs to reach peak effectiveness, we need an energy-literate public. Indeed, we heard this message in the Drummond report, the Auditor General's annual report and in the long-term energy plan consultation sessions—wide consensus that the public needs to have more information and more knowledge.

We're responding. At the same time as we released the long-term energy plan in 2013, we also launched emPOWERme, a new section of our website packed with videos, interactive tools, infographics and other resources. We're supporting the Mowat Centre's and Pollution Probe's research and contributions to Ontario's literacy efforts.

While we can show real leadership in the Conservation First Framework, I just want to highlight that the PCs have opposed all conservation initiatives in the past 10 years, and they fail to even mention conservation in the PC energy white paper. I think maybe they have trouble spelling the word "conservation." As for the NDP, they used to support conservation initiatives, but when in government they actually cancelled conservation programs.

Now for a word or two about rate mitigation: Along with conservation, the long-term energy plan makes rate mitigation a priority. We know that Ontarians have real concerns about the rising costs of electricity and we want to address those concerns. We have taken several steps where we expect to achieve significant ratepayer savings.

(1) We've reduced the feed-in tariff prices for renewable energy, saving \$1.9 billion through the reduction of domestic content requirements and a reduction in technology prices.

(2) The IESO has brought in new rules that allow wind generation to be dispatched off when the system doesn't need it. That's a big change in terms of how we use wind. This means wind will participate in the market much the same as other generators do, thus saving money for ratepayers across the board. That's roughly \$200 million.

(3) We renegotiated the green energy investment agreement with Samsung, reducing contract costs by approximately \$3.7 billion in the coming years while ensuring continued clean energy investment and protecting and creating jobs.

(4) We decided to defer building new nuclear, which reduces capital costs by up to \$15 billion—new nuclear that the Conservatives would have built. Even though they were saying this morning that we don't need new generation, they're prepared to spend \$15 billion on nuclear.

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Instead, we are refurbishing existing facilities at Darlington and Bruce, so that nuclear generation will continue to be the backbone of Ontario's supply, providing low-cost, reliable and emissions-free power.

The Bruce and Darlington nuclear refurbishments will be subject to the strictest possible oversight to ensure safety, reliable supply and value to Ontario ratepayers. This oversight at OPG includes independent advisers that report directly to the OPG board of directors, and annual, transparent and public reporting of progress to Ontarians.

But one thing must be made very clear: If either nuclear operator is unable to deliver their refurbishment to the safe, emissions-free nuclear assets that we have in place, the plan also contemplates the use of off-ramps to safeguard ratepayers from cost overruns.

We will accomplish the refurbishments.

We will adhere to the following seven principles, which are also outlined in the long-term energy plan:

- minimize commercial risk on the part of ratepayer and government;
- mitigate reliability risks by developing contingency plans that include alternative supply options if contract and other objectives are at risk of non-fulfilment;
- entrench appropriate and realistic off-ramps and scoping;
- hold private sector operators accountable for the nuclear refurbishment schedule and price;
- require OPG to hold its contractors accountable to the nuclear refurbishment schedule and price;
- make site, project management, regulatory requirements and supply-chain considerations, and cost and risk containment, the primary factors in developing the implementation plan; and, finally,
- take smaller initial steps to ensure there is opportunity to incorporate lessons learned from refurbishment, including collaboration by the two operators in Ontario.

As part of ensuring this is open and transparent, we're making refurbishment physically accessible to Ontarians. Recently, I and a number of my staff and others, including the media, had the opportunity to visit the Darlington Energy Complex, and we were truly impressed. Actually, I would like to invite all members here to tour the facility for themselves, to see how the refurbishment will take place and to answer all questions that you may have.

Ontario's leadership in this field is shown once again as Darlington is the first nuclear refurbishment project in the world to use a full-scale mock-up of a replica reactor

for training and tooling development as it proceeds. This state-of-the-art training centre will be vital to prepare, test and qualify the many people needed to complete the refurbishment project work, which is scheduled to begin in 2016 at the Darlington Energy Complex. It will serve as the headquarters for the refurbishment of the Darlington nuclear station, and support ongoing operations at the Darlington station for many years to come.

In fact, in a first for OPG, the Darlington Energy Complex had thousands of visitors who took the time out of their busy lives to view the training reactor for themselves.

As you know, this coming January 1, the Ontario Power Authority and Independent Electricity System Operator will be formally merged into one entity that will have, under one roof, the knowledge and expertise to undertake short-, medium- and long-term planning for the electricity sector and administer procurement processes for electricity that are more efficient and effective.

We've also made adjustments to several rate-mitigation programs this year. For example, for businesses, we expanded the industrial conservation initiative to enable more consumers, from additional electricity-intensive sectors, to participate. Beginning this summer, newly eligible businesses will be able to decrease their electricity bills by shifting consumption away from peak periods.

We broadened eligibility criteria for companies to participate in the industrial electricity incentive under the new stream 3 of the program. The application window just recently closed, on November 10, 2014.

We developed a new five-point plan to help mitigate electricity rate increases for small businesses by offering enhanced conservation programs. In partnership with local distribution companies and key agencies, the plan is helping small businesses conserve energy, manage costs and save money.

Meanwhile, for consumers, we are moving forward with our plan to remove the cost of the debt retirement charge from residential electricity bills after December 31, 2015. We are working with the Ontario Energy Board to develop options for the Ontario Electricity Support Program, which would provide ongoing assistance directly on the bills of eligible low-income electricity consumers after December 31, 2015. We are pursuing our goal to make new financing tools available to consumers starting in 2015, including on-bill financing to help them with the upfront costs of making energy-efficiency retrofits. I referred to other jurisdictions this morning that are actually doing this. This way, consumers could save money on their energy bills thanks to the benefits of conservation while paying off their investment over time.

Also, in the months ahead, the Ministry of Energy will work with the Ministry of Economic Development, Employment and Infrastructure to develop a new natural gas access loan and a natural gas economic development grant that will help ensure that rural Ontario residents and industries are able to share in affordable supplies of natural gas. That was in our budget. Those three previous things are in our budget.

The ministry is working with the Ontario Power Authority and our federal counterparts at Aboriginal Affairs and Northern Development Canada and Natural Resources Canada to realize a plant to connect up to 21 remote First Nation communities to the electricity grid in northwestern Ontario. Moving away from diesel-fired electricity generation will result in cost savings and will also create growth opportunities for these communities. It will also significantly enhance their quality of life. The ministry is also working with the Ontario Power Authority regarding four remote communities in which transmission connection is not currently economic or feasible on options to reduce their reliance on diesel generation, including renewable power and micro-grids.

Finally, this past August, Premiers Wynne and Couillard announced that a joint cabinet meeting will be held before the end of the year—this Friday, in fact. As part of that announcement, both Premiers committed to exploring opportunities for increased electricity trade between Ontario and Quebec. There has been a lot of groundwork done in that regard. Following that announcement, I met three days later with my Quebec counterpart, Minister Arcand, at the Energy and Mines Ministers' Conference in Sudbury, where we agreed to launch a working group to address our shared interests on a number of key energy initiatives that will help both our provinces to provide residents and businesses with safe, clean, reliable and affordable energy.

The working group oversees three joint working group subcommittees. The first is exploring ways to reduce diesel use in remote aboriginal communities currently not connected to the grid. The second joint working group subcommittee is charged with exploring common interests and positions on pipeline projects, in particular, the proposed Energy East pipeline; it is also reviewing the competitive viability of the refining and petrochemical sectors in both Ontario and Quebec. The third subcommittee is focused on electricity trade. It is studying both short- and longer-term trade opportunities of mutual benefit to both provinces, including the potential for taking advantage of the fact that Quebec is a winter-peaking jurisdiction while Ontario has its highest demand period in the summer.

This collaboration with Quebec is unprecedented and most welcome. It is in our long-term energy plan from December 2013. Working together towards our mutual goals only stands to strengthen and improve Ontario's position as a leader in energy innovation.

As we work to bend the cost curve down in the future, both opposition parties do not have realistic plans for the energy sector. The NDP opposes electricity imports that reduce the cost of Ontario customers, and they oppose emissions-free and reliable nuclear power, which makes up the backbone of our energy mix. They have no plan to replace nuclear. On the other hand, the PCs claim they want to lower rates, but they confirm that they would spend \$15 billion on building new nuclear reactors we don't need. In fact, this morning, they were saying we don't need new generation, and yet their plan incorpor-

ates \$15 billion of spending on new nuclear. Our government has been successful in implementing rate mitigation programs that are benefitting Ontarians today.

With respect to reliable and clean supply, while conservation and rate mitigation are essential from a financial perspective, our long-term energy plan also calls upon us to ensure that our energy system stays strong. This means a relentless dedication to growing a safe, clean and reliable supply. First, it means getting rid of what doesn't belong, like coal.

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As I mentioned in my opening remarks, I'm really proud, and we are really proud, that this past summer, Ontario became the first jurisdiction in North America to eliminate coal as a source of electricity generation.

We must continue to diversify our supply mix. That's why this past spring we were pleased to announce some important local energy projects. We had three successful applications to the Hydroelectric Standard Offer Program, a program designed to bring more water-powered energy into the province's supply mix. Successful applicants are located in Renfrew—again, located in Renfrew—the member doesn't hear me. In any case—

Laughter.

Hon. Bob Chiarelli: —and St. Catharines and Ottawa. In the case of the Ottawa applicant, Chaudière hydro was offered a contract—

Mr. John Yakabuski: Did he say something funny?

Hon. Bob Chiarelli: —I'll come back and read it again in a minute—for the development of a new facility, creating 150 construction jobs in the process. The facility will raise Hydro Ottawa's capacity to 58 megawatts, enough to power over 20,000 homes each year.

Meanwhile, in July we introduced a new competitive procurement process for large renewable energy projects. Right now the OPA is evaluating the RFQ submissions. Combined heat and power can be an efficient way—this is additionally—to meet local energy needs. We made a commitment in the long-term energy plan to undertake targeted procurements for combined heat and power projects, and we currently have the Combined Heat and Power Standard Offer Program 2.0 available to applicants in the agricultural industry sector and district heating projects.

Finally, following through on other long-term energy plan commitments, in the spring, the IESO ran the first phase of an energy storage procurement, and last month released a robust study of Ontario's intertie capacity.

Looking at our energy supply situation more broadly, we need to look at our procurement practices and determine if we can deliver the same clean, reliable electricity supply for Ontario consumers by tapping more into the entrepreneurship and creativity of the businesses in our sector, and by the IESO and the OPA being less prescriptive. That's why our updated long-term energy plan called on the IESO to undertake studies and consultations regarding the implementation of a capacity auction to help guide our future supply mix needs and how we will procure them. This also means government re-evaluating

its role in the electricity system while maintaining our strong commitment to a reliable, clean and affordable system.

We are contemplating a future where the IESO runs a capacity auction to secure firm resources unconstrained by government's predetermined supply mix objectives, including Quebec having the opportunity to bid. For example, to fill a particular megawatt requirement, rather than directing procurement from specific types of resources, such as hydro, solar, wind and gas, the IESO could instead procure based on metrics such as emissions, system benefit, price, involvement, demand-side resources or, indeed, a combination of those to meet the megawatt and other requirements of the system.

At the same time, we understand that a truly dynamic capacity auction cannot operate in a vacuum, so IESO's current market rules that constrain Ontario's generators' ability to supply or sell to external markets beyond Ontario's borders, such as the US, will need to be reviewed, just the same as we are reviewing the ability of our interties to support longer-term electricity trade or imports within our borders from our neighbours.

Other system operators in other jurisdictions have been able to optimize system needs and reliability by reforming their procurement and contracting models, including use of capacity auctions. Ontario's energy infrastructure is increasingly integrated with that of neighbouring jurisdictions, and we are determined to ensure that Ontario ratepayers can benefit from this kind of market evolution to help create a system that is cleaner, more reliable and more affordable.

This was not always the case. While in office, the PCs had no plan for supply. Supply from 1995 to 2002 could not meet the province's demand. We were in deficit. From 1996 to 2003, overall installed generation capacity under the Tories fell 6%. That's like Niagara Falls running dry. At the same time, demand grew by 8%, a 14% differential. Reliability was a concern, and because of that, the Tories increased dirty coal usage by 127%. We do not want to go back to those days.

So, by way of wrap-up, we are moving forward with fulfilling the commitments we made in our 2013 long-term energy plan. Just as we did in the creation of our long-term energy plan, it is our ministry's intention to continue to work together closely with a broad array of effective sector associations, such as APPRO, the Ontario Energy Association and others; with individual stakeholders, including the private sector and environmental groups; with union associations, as we have been doing; and with our own agencies. I believe we have a commitment to do so.

Looking ahead, we see dynamic yet practical changes to our system that will ensure that we not only keep pace with other leading jurisdictions, but continue to foster innovation, the smart grid, a smarter collaboration with industry and our LDC partners. As a government, we will continue to work to provide stability, predictability and sustainability for our business and sector partners and for a reliable, clean and affordable system for our ratepayers.

By following our conservation first model, finding efficiencies and helping people address their electricity bills while keeping our energy supply reliable and updated to meet our daily needs, we will realize our commitments to Ontario families and businesses under the long-term energy plan.

Just again, I'm going back five or six pages because the member from Renfrew–Pembroke–Nipissing was not paying attention—

Interjection.

Hon. Bob Chiarelli: —when I referred to the new water power project that we are installing into Renfrew—and I didn't mention the one in Almonte. The one in Almonte is going to generate about \$12 million of investment in that community and create lots of jobs. We are doing so much for Renfrew–Pembroke–Nipissing, this guy should cross the floor.

Interjections.

The Chair (Ms. Cindy Forster): You have two minutes left, Minister.

Hon. Bob Chiarelli: Two minutes left?

Mr. Randy Hillier: I think he's exhausted from all the—

The Chair (Ms. Cindy Forster): If you've had enough, we'll move on to the official opposition.

Hon. Bob Chiarelli: Well, let me just go to one of my pages here and see what I can do. Let me see.

Mr. Randy Hillier: Talk about the Lennox generating facility, Bob.

Hon. Bob Chiarelli: I will find something to fill my last two minutes in. Let me see what we have here.

Oh, let's talk about gas plants. We'll talk about the 20 gas plants that we built because we had such a deficit of supply when we took over government, we had to rebuild the system. People talk about renewable energy, but we built 20 gas plants to get us to where we're reliable and we have that redundancy background. We also expanded the Niagara Falls generating facility. I think it's 600 or 700 megawatts that are there. We created hundreds, if not in the thousands, of jobs in Niagara Falls to get us back out of the deficit and to where we would have a surplus, so we could create the IEI programs that are helping the businesses in Renfrew–Pembroke–Nipissing. We also are expanding the Lower Mattagami power dam: clean, reliable, emissions-free electricity, a \$2.6-billion investment in water power—

The Chair (Ms. Cindy Forster): Thirty seconds, Minister.

Hon. Bob Chiarelli: —in order to fill that deficit that the Tories had created.

Do I have another two minutes? I can keep going.

The Chair (Ms. Cindy Forster): Seconds—and you're done.

Mr. Randy Hillier: Get back to Wesleyville.

Mr. John Yakabuski: Thank you very much, Minister, for your wonderful—

The Chair (Ms. Cindy Forster): So we'll move to the official opposition, and you have 20 minutes. Mr. Yakabuski.

Mr. John Yakabuski: Thank you very much, Madam Chair.

First of all, I hope you got a discount on that second speech this afternoon, because much of it we heard this morning. So I hope you didn't pay the full price for this afternoon's—

Hon. Bob Chiarelli: Propaganda: repeat, repeat, repeat.

Mr. John Yakabuski: You said it, not me.

Also, while I have you, Minister, in such a good mood, can you spell “conservation”? If you can spell “conservation,” you can probably spell “Conservative.” All but two of the 12 letters in those two words are shared, because the whole basis of the Conservative Party is to conserve and protect. Are we in favour of conservation? Oh, my goodness, I guess we are. It's right in our name.

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Hon. Bob Chiarelli: I gave you a commitment—

Mr. John Yakabuski: It's right in our name.

Hon. Bob Chiarelli: I gave you a commitment that I'd answer all your questions.

Mr. John Yakabuski: Yes, you did.

Hon. Bob Chiarelli: So, C. What's the next letter?

Interjections.

Hon. Bob Chiarelli: Next letter?

Mr. John Yakabuski: As a matter of fact, I believe you can do it.

Hon. Bob Chiarelli: Chair, he asked the question. Do I have the right to respond?

Mr. John Yakabuski: Okay.

Hon. Bob Chiarelli: Do I have the right to respond, Chair?

Mr. John Yakabuski: No.

Hon. Bob Chiarelli: I have the right to respond.

The Chair (Ms. Cindy Forster): Actually, Minister, it's Mr. Yakabuski's time.

Mr. John Yakabuski: Yes. Thank you very much. I concede that you can do it. I know you can do it, and I can spell Chiarelli.

Minister, you would think that with this wonderful plan that you people have—you just kept talking in your speech about money saved here, the money that's going to be saved there, and all of these wonderful things. You would think that the world would be at our door saying, “We want to build our businesses in Ontario because of their energy policy.” I have not heard one company ever, since you guys took office, say they're coming to Ontario because of our energy policy, but I have heard—

Interjection.

Mr. John Yakabuski: You'll have your chance. I have heard many companies cite energy policy as the reason they're leaving Ontario or are planning to leave or have already left Ontario. So it's really lovely to have that optimistic view of Ontario's power system, but it's a little bit jaded.

I also want to touch on—you referred to it several times, both this morning and this afternoon, talking about the need to have this extra capacity for something like an

ice storm. I was around for the ice storm of 1998 as well, and capacity wasn't the issue. Transmission was the problem. There were hundreds of thousands—millions of people who had no power. We couldn't get the power to them because the grid was not functioning because of damage to towers and poles, trees on lines etc.

I really have a hard time with your process about requiring capacity for an event like that because the issue when an event like that hits is our ability to actually get the power that we have the capacity to produce to the people who need it. It's a transmission issue.

The Fraser Institute came out with a very good report which indicated—you people keep talking about your renewables—"That was the way off coal." We've heard it many times. Coal produced 25% of our power when you guys came to power. Wind and solar today produce about 4% of our power. That's about a 6-to-1 ratio, coal-produced versus wind and solar. Wind and solar make up 20% of the cost of generation because of the contracts you have signed, yet you plan to keep signing more and more of these contracts.

You talk about saving money on the Samsung deal based on the fact that it was such an awful deal for Ontario ratepayers in its previous incarnation. Anybody could have saved money by negotiating a better deal. It was such a bad deal when you folks negotiated it originally that it didn't take much to negotiate a better deal, so you can't talk about saving money. That's like somebody going to your Walmart snow blower story and saying, "Oh, I bought a snow blower. It was \$1,200, but I got it on sale for \$800, so I saved \$400." But then you find out he's from Miami, Florida. He didn't really need the snow blower in the first place. He didn't really save \$400; he wasted \$800. That's sort of like your Samsung deal—the money you have wasted on some of these wind projects across the province of Ontario because they were generation that was not needed but you kept building because you were tied into the Green Energy Act and paying whatever price was needed to build, and you're still building them. You're still building them in places like the Collingwood airport.

Will you confirm that coal made up 25% of our power system when you came to power; wind and solar are generating 4% of our power today, yet it is 20% of the cost of the contracts through the OPA and makes up 20% of the global adjustment cost to the people of Ontario. Would that be correct?

Hon. Bob Chiarelli: I will confirm that coal represented 25%. I will also confirm that it was being ramped up and used more and more, to try to catch up, because we were in a deficit situation. In order to address that deficit situation as well as replace coal, we needed a lot more generation. The planning for generation is to have a supply mix. The supply mix—I just referred to the fact—

Mr. John Yakubuski: I just gave you a couple of direct questions, Minister.

Hon. Bob Chiarelli: But the issue—

Mr. John Yakubuski: This is not the place to be political.

Hon. Bob Chiarelli: No, but the issue is, we had a double whammy of a deficit and dirty coal. We needed huge new capacity of generation. We did it in the Niagara Falls generating station. We did it in Lower Mattagami—

Mr. John Yakubuski: Did that come in on budget?

Hon. Bob Chiarelli: Right there, there is probably 1,200 or 1,500 megawatts that's required. We did it—

Mr. John Yakubuski: Did the tunnel come in on budget? The Niagara Falls tunnel.

Hon. Bob Chiarelli: I can't recall what—

Mr. John Yakubuski: Oh, I can tell you that it didn't.

Hon. Bob Chiarelli: Anyway, I would like to just finish my sentence, if I may. Okay?

Mr. John Yakubuski: Okay.

Hon. Bob Chiarelli: We wanted to create a proper supply mix as we ramped up the generation that was required for the deficit, and to make the system clean. We used all of the generation capacities that were available, and we used it in different capacities or different amounts. That's why we did the Niagara tunnel, the Lower Mattagami, a number of other dam expansions and new dams—20 new dams, perhaps—

Mr. John Yakubuski: Yes, I heard all of that in your first speech.

Hon. Bob Chiarelli: We did all of that, because it was responsible to make it clean. It was responsible to have a surplus. It was responsible in the electricity system—any of the operators in North America will tell you that you need a double redundancy—

Mr. John Yakubuski: You generated a surplus by cutting 300,000 manufacturing jobs out of the province of Ontario.

Hon. Bob Chiarelli: —you need a double reserve or a double backup. We got the system to a point where it was really, really healthy.

Mr. John Yakubuski: Demand dropped because you cut 300,000 manufacturing jobs out of the province of Ontario.

The question is, does wind and solar make up 4% of our generation, and does it make up for 20% of the global adjustment?

Hon. Bob Chiarelli: I'm going to pass this over to the deputy, because he has got some numbers with him there.

Mr. Serge Imbrogno: I'm not sure where you're getting the 20% number, but when we do the calculation on the average consumer bill, we get about 8% for wind and solar in 2013.

Mr. John Yakubuski: For the global adjustment?

Mr. Serge Imbrogno: For the impact on the average consumer bill, wind and solar makes up about 8%.

Mr. John Yakubuski: I asked about the global adjustment, the amount of the global adjustment that is dedicated to contracts of wind and solar.

Mr. Serge Imbrogno: When we look at it—

Mr. John Yakubuski: I'm not asking you how you look at it; I'm asking you what it is. Is it 20% of the global adjustment?

Mr. Serge Imbrogno: Global adjustment is a portion of the combined cost.

Mr. John Yakabuski: I understand, but you guys are going to shade the numbers any way you want, to make it look best. But the Fraser Institute report makes it very clear that wind and solar is not a very good deal, cost-wise, for the people of the province of Ontario. Are you challenging—are you saying that it is a good deal, cost-wise?

Mr. Serge Imbrogno: When we do the supply mix, we go for a balance of supply, including nuclear, renewables and non-renewables, including wind, solar and hydro. I think it's that mix. We took out coal; we have gas. I think we have a balanced generation mix—we look for reliability—and wind and solar are part of that mix.

Mr. John Yakabuski: You're probably not going to answer that question. Would you admit, at least, that when we heard all along, this massive buildup of wind, particularly, with the Green Energy Act—we must have heard it a thousand times, that this was our road to getting out of coal, getting off coal. Would you at least admit that 4% of our generation wasn't going to get us off coal at any time? You build gas plants that also emit CO₂, and that is what has gotten us off coal. Is that not correct?

Mr. Serge Imbrogno: We had big investments in refurbishment of nuclear, so that Bruce Power refurbishment units—

Mr. John Yakabuski: Oh, so you didn't need the 19 gas plants?
1720

Mr. Serge Imbrogno: I'm saying it's a mix. It's not just one source or another; it was a mix. Part of that was nuclear, part of that was renewables and part of that is additional gas.

Mr. John Yakabuski: Well, there is additional nuclear capacity, but in 2020 there will be a significant reduction in our nuclear capacity, when at Pickering any of the units that have not been refurbished will be taken out of service. Is that correct? We're going to lose about 2,000 megawatts of nuclear capacity. Is that correct?

Mr. Serge Imbrogno: In 2020 we expect Pickering to come offline. That's about 3,000 megawatts, but that's part of our long-term energy plan. We're planning for that, adding—

Mr. John Yakabuski: So what's replacing that?

Mr. Serge Imbrogno: Again, there's a mix. We have the renewables coming on, we have Conservation First that we're taking off, and then we have this planned flexibility where we're saying that, if we do better on conservation, we don't need to build additional capacity.

Mr. John Yakabuski: In 2020, how many megawatts of wind will we have in our system under your plan?

Mr. Serge Imbrogno: We have a number for 2025—

Mr. John Yakabuski: Assuming they all don't have blades falling off.

Mr. Serge Imbrogno: Percentage-wise it's about 15% by 2025.

Mr. John Yakabuski: Megawatts. Give me that in megawatts.

Mr. Serge Imbrogno: In megawatts it's approximate—ly 6,480 by 2025.

Mr. John Yakabuski: Was that 6,480 by 2025?

Mr. Serge Imbrogno: Yes, and that would be part of our long-term energy plan.

Mr. John Yakabuski: And that will be the capacity? What do you expect that capacity, that 6,480 megawatts of wind capacity, to generate as a percentage of our generation? Nuclear punches way above its weight; it generates a lot more of our electricity than the amount of our capacity that it makes up. Wind is at the opposite end of the spectrum: lots of capacity and little generation. What percentage of our generation do you expect that wind will make up in 2025?

Mr. Serge Imbrogno: I think that on average the IESO would use about a 30% capacity factor for wind. That may increase over time, but at this point it's at about 30% capacity—

Mr. John Yakabuski: It's likely to decrease over time—more likely to decrease than increase, because every time you build one of these you're going farther away from the best sources.

Mr. Serge Imbrogno: But you have new technology that also has to be taken into account, as well.

Mr. John Yakabuski: Well, you'll still have the old ones turning. They're still going to be there—unless some of them might have fallen over. Some of them are losing blades, I hear.

So at that point, then, if you use that capacity factor, what portion of the bill versus generation will wind make up in our average hydro bill?

Mr. Serge Imbrogno: I don't have that calculation on me.

Mr. John Yakabuski: But you'll be able to get that for me, correct?

Mr. Serge Imbrogno: If it's in the public domain, I can point that out to you.

Mr. John Yakabuski: Okay. Can you confirm that, right now, there are over 700 megawatts of wind under construction, in the approval process or subject to various appeal procedures?

Mr. Serge Imbrogno: I'd have to look at the source. If you give me time to look through my notes, I could probably find it for you.

Mr. John Yakabuski: No, I don't want to give you that time. Not right now.

I'm going to move on a little bit, to LDCs. You said on March 18, 2013, "Let me say very clearly that our government will not legislate forced consolidation." Is that still your commitment, or are you backing away from that commitment, given the Clark report and all of this?

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: Yes, what?

Hon. Bob Chiarelli: We're not going to force consolidation.

Mr. John Yakabuski: There will be no forced consolidations of LDCs?

Hon. Bob Chiarelli: No.

Mr. John Yakabuski: It will be willing buyers and willing sellers only?

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: Thank you very much. That's good. If there are no willing buyers or willing sellers, how do you get \$2 billion by 2017?

Hon. Bob Chiarelli: I don't understand the question.

Mr. John Yakabuski: From the sale and purchase of those assets.

Hon. Bob Chiarelli: The premise of your question, when you were talking generically about LDCs: There are 77 LDCs, and the issue of consolidation has to do with that collectivity of 77 LDCs. Some of the consolidation has already taken place. For example, PowerStream represents a consolidation of three or four existing LDCs. That consolidation has already taken place.

Mr. John Yakabuski: In December 2012, the distribution sector review panel recommended similar things to Ed Clark. They claimed consolidation could save as much as—I said \$2 billion; sorry, \$1.2 billion. But if there is no consolidation, there are no savings.

Hon. Bob Chiarelli: The Ed Clark process is not predominantly one of consolidation. The report that came out in 2012 looked at all of the LDCs across the province. Consolidation did not necessarily include any provincial agency such as Hydro One. Consolidation would include how PowerStream came to be. PowerStream is a consolidation of four local LDCs, four utilities. So that's a consolidation.

You have the city of Ottawa, for example, that wants to acquire the customers of Hydro One within the city limits of the city of Ottawa. That would be considered consolidation. If, for example, Toronto Hydro purchased one of the LDCs in the GTA, that would be consolidation. It doesn't necessarily engage Hydro One, for example, or Brampton, for example, which is part of Hydro One now.

The issue is: What may or may not come out of what Ed Clark is proposing may cause consolidation to happen because it may make sense for them independently to arrange their business in a certain way. For example, if I may, the Electricity Distributors Association is leading an initiative to have a group of LDCs acquire Hydro One. They may very well be a bidder. If some sort of a disposition actually takes place, there will be a process or a procurement to make it happen. So you may have 11 or 12 LDCs get together on their own as a consolidation and acquiring. That's, in fact, the proposal that the electricity distributors have put on the table.

The Chair (Ms. Cindy Forster): Mr. Yakabuski, you have two minutes left in your time slot.

Mr. John Yakabuski: Let's talk about some of the things you were talking about earlier today: the industrial electricity initiative, the northern Ontario tax credit, the clean energy benefit, LEAP—all of your conservation programs. The cost of every conservation program is also borne by that same energy ratepayer. Correct?

Hon. Bob Chiarelli: That's correct.

Mr. John Yakabuski: Any conservation initiatives go right back to the hydro bill. So it's "Pay me now; pay me later," whatever; you can call it the FRAM filter analogy if you want.

For the person who actually has done all of their homework and is running their home or their business as efficiently as possible, they're actually paying for you to pass a subsidy or a trinket, for political reasons to make it look good, to someone else. Someone is doing their job, and you send somebody else something in the mail that says, "We'll pay you X number of dollars to update your lighting or your heating or your air conditioning or whatever." That person who has already been a conservationist: They're actually paying for that. Is that correct?

Mr. Randy Hillier: Penalized.

Mr. John Yakabuski: They're penalized.

Hon. Bob Chiarelli: They're getting the benefit of it and they're paying for it.

Mr. John Yakabuski: How are they getting a benefit? They've already bought it.

Hon. Bob Chiarelli: Reduced consumption. Conservation means reduced consumption.

Mr. John Yakabuski: But you're paying someone else a subsidy to get their consumption reduced. That other entity, person, business, whatever—they've already paid to reduce their consumption.

Hon. Bob Chiarelli: Just to get back to what the deputy—

The Chair (Ms. Cindy Forster): You've got one minute.

1730

Mr. John Yakabuski: Is that not correct? Without your views on whether it's right or wrong, they're paying to get somebody else to where they already are.

Hon. Bob Chiarelli: Conservation will save them money—in the system, not only on their own bill.

Mr. John Yakabuski: They're paying to help you get someone else to where they already are. Is that correct?

Hon. Bob Chiarelli: Conservation reduces—

Mr. John Yakabuski: I understand your view, but just answer the question

Hon. Bob Chiarelli: Okay, but can I just say two sentences?

Mr. John Yakabuski: I know your sentences.

Hon. Bob Chiarelli: Conservation reduces the need for generation as we go down the long-term energy plan. That pushes rates down. The investment in conservation puts the rates down.

Mr. John Yakabuski: So why continue with building 6,480 megawatts of wind? If you expect your conservation to be successful, why build something that is not dispatchable—

Hon. Bob Chiarelli: We're reducing the amount of generation we need.

The Chair (Ms. Cindy Forster): Thank you, Mr. Yakabuski. We move on to Ms. Armstrong for 20 minutes.

Ms. Teresa J. Armstrong: Minister, we had established that you agreed with the IESO figures. You agreed that Ontarians paid \$1.564 billion to generate power that hydro users in neighbouring provinces and states paid only \$485 million for. This is off the IESO website. Minister, could you please confirm that this is correct?

Hon. Bob Chiarelli: Did we not already go through that?

Ms. Teresa J. Armstrong: Yes, but I'd just like to get it on record, because the original questioning was a little bit confusing because you didn't know where the information was coming from. Now that we know it's on the—

Hon. Bob Chiarelli: Could you ask the question again?

Ms. Teresa J. Armstrong: Okay. You agreed that Ontarians paid—we had talked about this—\$1.564 billion to generate power that hydro users in neighbouring provinces and states paid us only \$485 million for. This is off the IESO website. You agreed to that. Can you please confirm if that is correct?

Hon. Bob Chiarelli: I will confirm that the IESO managed the system in a way that maintains surplus and reserve capacity. That capacity that we have can generate electricity that we can sell. The IESO has confirmed that revenue from electricity exports reduced the costs for Ontarians by \$300 million in 2013. That's what they have confirmed. They've confirmed that to you and they've confirmed it publicly.

What that means is, just to be clear, if you look at all the generators we have in the province, if you look at all of our gas plants, if you look at all of our dams, they are never operating at 100% capacity. They are operating anywhere from 20% or 30% capacity to 60% or 70% capacity at any one time. It's still necessary to have them all there with that unused capacity for backup. In case we have to go to peak, in case we have an ice storm, the system is there.

The IESO, in fact, will—regardless of the price, because they're not getting any revenue from that unused capacity—create the power to sell, which otherwise would be sitting there in reserve. So they're selling reserve power.

From that point of view, they're selling power that is reducing the costs of the system, because when they generate the revenue, they put that money in the bank. If they sell it for four cents, five cents or even less, that's revenue that they otherwise would not get, and they're using the excess capacity that is necessary to have.

We have to keep in mind that there are two things that are important in the electricity system. There is the energy that we generate as we put it into the wires and use it, and there's the capacity that we have to have in infrastructure to produce more. So we have that reserve—

Ms. Teresa J. Armstrong: Okay. If I could ask you to wrap up, then.

Hon. Bob Chiarelli: We sell that.

Ms. Teresa J. Armstrong: Okay. Is your answer comprehensive enough there? I'll move on to the next one if I could, please.

I understand what you're saying. I'd like to ask you this: If the figures that I just gave you were accurate, because they were on the IESO website—and you agreed to those previously—that means that Ontarians paid

\$1.079 billion more in 2013 to generate power that it sold to neighbouring jurisdictions.

Hon. Bob Chiarelli: No.

Ms. Teresa J. Armstrong: You don't agree?

Hon. Bob Chiarelli: That does not mean that.

Ms. Teresa J. Armstrong: Okay. Can you explain why you think that doesn't mean that?

Hon. Bob Chiarelli: It doesn't mean that, because what Ontarians are paying for is for the generating facilities to be there and to be available when we need them. So in order to have capacity across the province, we have nuclear facilities that are operating at—what, 40% or 50%?

Mr. Serge Imbrogno: Nukes are at 85%.

Hon. Bob Chiarelli: So it's 15% of nuclear that is not generating power because that's the reserve. There are gas plants that might be at 30% capacity; they're not generating power.

So if there's a market and if the system permits it because we're at low demand or low peak, we can change what the amount of reserve is that we need to have. The IESO sends out signals every five minutes to generators: ramp up or ramp down. That's the way the system works. There's no storage for electricity. There has to be the same amount of power that is demanded in the wires; that's the amount that has to be generated. As the demand goes down, they have to reduce the generation; as the demand goes up, they have to increase the generation—in five-minute intervals. That's how tight the system is.

If there are circumstances which are certain that for a day or two or even half a day, that we don't need that reserve, they quickly sell it and put money in the bank. So it's that type of operation that we have.

Ms. Teresa J. Armstrong: Thank you for that answer.

Earlier, you also agreed that Hydro-Québec recently signed a long-term contract with Vermont that—

Hon. Bob Chiarelli: No, I don't know that. I don't know that for a fact.

Ms. Teresa J. Armstrong: Well, that is correct. We did our research on that.

Hon. Bob Chiarelli: I would want to see the contract, because I don't know that, and I don't know whether it was a spot market or whether that was a firm contract. Do you?

Ms. Teresa J. Armstrong: It was a firm contract, and it's a long-term contract.

I'll just state that again just for the record. Earlier, I had said that Hydro-Québec recently signed a long-term contract with Vermont at 5.7 cents per kilowatt hour. So you're saying you can't confirm whether or not that's correct? You don't have knowledge of that?

Hon. Bob Chiarelli: I'm going to ask the deputy to answer that, because I've tried to answer it. Maybe the deputy can do a better job.

Ms. Teresa J. Armstrong: Okay.

Mr. Serge Imbrogno: I think the terms of the contract are very important to have. For example, it could be a callable contract, where if Quebec has a shortage of

capacity during the winter peak, they may be able to call that power back. If they have that ability, it would be something less than if it were a firm contract, where no matter what the circumstance in Quebec was, they'd still have to sell the power to Vermont. So the actual terms of that agreement are very important to have.

Our sense when we talk to Quebec right now is that they experience shortage during their winter peak. So it would be very difficult for Quebec to sign a long-term contract, 24/7, for 365 days a year, given that they have a shortage in winter right now. It's just that the details of that contract have to be known for us to give you any kind of a sense of whether that's an acceptable comparison.

Ms. Teresa J. Armstrong: Okay.

Minister, what obstacles currently exist to signing the kind of long-term energy contracts that Quebec recently signed? I know you don't know the terms, but maybe you could speak to those obstacles that we may face, because Quebec seems to have signed a long-term contract with Vermont, New York and Michigan. In other words, Minister, why can't we negotiate long-term contracts with New York and Michigan if we're talking about the contract we researched, at 5.7 cents per kilowatt hour? What's stopping us?

Hon. Bob Chiarelli: There are a number of reasons. First of all, there would be two parties to the contract, Quebec and Ontario. Okay? So we're making assumptions for Ontario.

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As I mentioned, the Premier has met with Premier Couillard. I've had three meetings with Pierre Arcand, the Quebec Minister of Energy. We've had the working groups chaired by deputy ministers looking at it. And we've come to the table on the basis of trying to determine if there are long-term firm contracts at an acceptable price to Ontario, and there's no answer to that with us being at the table.

Our long-term energy plan says to pursue this as a possibility. The reality is, the infrastructure that's in place today can accommodate 500 megawatts. That's enough to do the daily exchanges that take place to balance the systems between New York state, Manitoba, Ontario, Quebec etc. It's not enough for firm contracts. Quebec will agree with that.

We can invest \$350 million in Ontario and we can get that up to about 1,100 megawatts. That's still not enough for long-term, permanent contracts. Okay? You can't make a business case for it. To get to a point where we want to get a long-term firm contract with Quebec, for example, to replace the nuclear units that are going to be going out, requires a minimum of \$2 billion in investment on the Ontario side. That's number one. Number two, it will require significant investment on the Quebec side that will add to the price of power. The fully firm prices at which Quebec is selling to US states is higher than what we can generate it for in Ontario. There is no good reason why we would not want to get long-term firm contracts with Quebec if it was economical for us. That's what we're pursuing. Okay?

At this point in time, the president of Hydro-Québec told us—we asked specifically to try to get an answer on the price we could get for long-term contracts, and they could not provide it to us. At the time, he said it has to be an economic price. In other words, it's market, to the highest bidder. They're not going to give it to us cheap because we're good neighbours. They're going to sell it for the highest price they can get, and they made that very, very clear.

So we're coming to the table in good faith to try to make this happen. We're going to make as much happen co-operatively with Quebec as we can, as I've indicated. But at this point in time, the concept of long-term firm power from Quebec is in the future.

Ms. Teresa J. Armstrong: Okay.

Hon. Bob Chiarelli: We're going to continue to stay at the table to deal with that issue, but it's not readily apparent in the foreseeable future that it can happen.

Ms. Teresa J. Armstrong: So is your government considering any changes to the market design to facilitate long-term contracts and higher prices for exported power?

Hon. Bob Chiarelli: Well, yes.

Ms. Teresa J. Armstrong: And could I ask you what those are?

Hon. Bob Chiarelli: If you look at the long-term energy plan, you will see that we're talking about moving to what is called a capacity market. Capacity market exists in other jurisdictions and it's working very well, but it's a significant restructuring of how we would do it in Ontario.

The IESO now is working towards doing a pilot project—correct me if I'm speaking out of turn, Deputy—for capacity markets. It's going to require consultation with the generators and other stakeholders in the sector.

What a capacity market does is this. We need, let's say, 1,000 megawatts or 1,500 megawatts. That's what our projected demand says we need in terms of new megawatts. Capacity market says that we're going out to the marketplace and you can come in—anybody can come in, including Quebec. Quebec would be able to bid on it if they wanted to. But we define what we need: "We need clean," "We need firm," "We need spot," or whatever. We would define what we need in terms of the requirements around that megawatt requirement that we're bidding. So anybody can come in with a generation offer, or they can come in with a combination. Somebody can come in and say, "You know what? We've got generation, so we've got conservation that we could put into the system," or "We've got storage that we can put into the system," or "We've got renewables that we can put into the system," or "We've got gas that we can put into the system." We then accept the lowest cost or the ones who satisfy the requirements that we've put in. It opens it up to anybody to bid with anything, to supply that requirement that is set out in the bid.

That is a transformation that the IESO says will likely create very significant benefits, including lower costs and better reliability.

Ms. Teresa J. Armstrong: So those are some of the changes. Then, Minister, what prevents Ontario from implementing a public central trading authority that would negotiate long-term contracts? Have you thought of that? What prevents us from doing that?

Hon. Bob Chiarelli: I can't say what specifically the IESO, as a system operator, has contemplated. But the Independent Electricity System Operator is recognized as one of the best, if not the best, operating systems in North America. That's why they are innovative; they are absolutely conservative in terms of reliability—

Mr. John Yakabuski: You've got my attention now.

Hon. Bob Chiarelli:—so they may or may not have run that process through. But certainly, something that is not terribly unlike that is the capacity market that we were talking about.

I'm very, very happy to arrange a briefing session for you and/or your critic and/or your staff to sit down with the IESO, similarly to the Conservatives, to explore the capacity market. As a matter of fact, if you're going to be at my speech tonight at APPRO, you're going to hear me talking about the capacity market. You've already heard part of it.

Mr. John Yakabuski: I can hardly wait.

Hon. Bob Chiarelli: That's great. Don't hold your breath.

The Chair (Ms. Cindy Forster): About three minutes left, Ms. Armstrong.

Ms. Teresa J. Armstrong: Okay.

Hon. Bob Chiarelli: You're right to be looking at new ways to manage our procurements and create our supply, and we are looking at new, different, and perhaps better ways.

Ms. Teresa J. Armstrong: Thank you. Minister, if the capacity was so much better at that point, why didn't we take that information and do it from the beginning? What's preventing us from doing that?

Hon. Bob Chiarelli: The whole electricity system is evolutionary, and it's not even, in every jurisdiction. People will look at Ontario and they'll see some things that we're doing in Ontario and they will say, "You know what? That's the standard," and they're doing what we're doing. We're looking at some other jurisdictions that are doing best practice, and we're trying to adopt—

Ms. Teresa J. Armstrong: Can you give me an example of that jurisdiction and what some of those are?

Hon. Bob Chiarelli: Of what?

Ms. Teresa J. Armstrong: Of the best practices. You're saying you're looking at other jurisdictions for examples of that practice.

Hon. Bob Chiarelli: Part of what we're doing in terms of best practices, part of—our demand response is among the best in North America. Demand response basically is a process where large business users—there are basically brokers that aggregate them; they bring them together. They work with the IESO and they say, collectively—and you need very, very technical, complicated algorithms, software programs, to make it work—"We will agree to lower our consumption at certain peak periods of the year."

Lower consumption at peak means that when the IESO takes a mix of electricity and puts it in the wires, there is also a mix of costs that go in the wires. Renewables are more expensive—that goes in the wires, for example—and that's used the least because it costs the most. You want to use the least more often, so that the electricity that's in the system, on average, costs lower—

Mr. John Yakabuski: Boy, have we got it backwards.

Hon. Bob Chiarelli: Sorry?

Mr. John Yakabuski: We've got it backwards.

Hon. Bob Chiarelli: So what happens is, with demand response, you have a collection of businesses who have agreed to lower their consumption at peak periods. That saves costs in the system, because we're now generating the lowest or lower costs without having the higher costs in the system.

The Chair (Ms. Cindy Forster): One minute.

Hon. Bob Chiarelli: That saves money for that collection of companies—demand response, that group—and it saves money in the system. Saving money in the system reduces the cost pressures in the system for all consumers. The more we reduce our peak consumption, the less it costs the consumer, the homeowner or the small business.

Ms. Teresa J. Armstrong: Thank you.

Mr. John Yakabuski: We're about to hear a bell—

The Chair (Ms. Cindy Forster): I believe that we have agreement to actually adjourn because we're going to hear the bells, so we'll adjourn. We'll be in 151 again tomorrow after routine proceedings.

Mr. John Yakabuski: Room 151?

The Chair (Ms. Cindy Forster): Room 151.

The committee adjourned at 1750.

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STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 19 November 2014

Mercredi 19 novembre 2014

The committee met at 1603 in room 151.

MINISTRY OF ENERGY

The Chair (Ms. Cindy Forster): Good afternoon, members. We're here to resume the consideration of the estimates of the Ministry of Energy. There is a total of four hours and 45 minutes remaining.

Before we resume the consideration of the estimates of the Ministry of Energy, if there are inquiries from the previous meeting that the ministry or the minister has responses to, perhaps the information can be distributed by the Clerk at the beginning in order to assist the members with further questions. Are there any items, Minister?

Hon. Bob Chiarelli: No.

The Chair (Ms. Cindy Forster): When the committee adjourned yesterday, the third party had completed its 20-minute rotation.

I turn the floor over to the government members for the next 20 minutes. Ms. Naidoo-Harris.

Ms. Indira Naidoo-Harris: Thank you, Chair. Minister Chiarelli, I've been talking to the residents in Halton for years, and I get a lot of questions from them when it comes to the electricity system in Ontario. In fact, one of the things I hear most often from my constituents is the need for increased education and awareness of the factors that affect their bills, like the environment and the system in general.

Increasing the energy literacy of Ontarians is a good thing. It will not only help them understand how the system works but will also teach them about innovative ways they can reduce their consumption and save money on their hydro bills. Minister Chiarelli, can you please tell us what the government is doing to help increase the energy literacy and energy education of Ontarians?

Hon. Bob Chiarelli: Thank you for the question. First of all, I want to say that it is a very important part of the electricity sector. If people don't understand what's happening, then it's harder for them to engage the opportunities in the sector and for them to have dialogue when required.

When I was appointed minister, I learned very, very quickly that the electricity sector is like a Rubik's cube: You make a decision in one part of the sector and it impacts through, it ripples throughout the whole sector. Most importantly, most decisions impact the rates and the

rate base, which impact the bills, which impact on the community. So it's very important that people learn to understand.

I was very fortunate when I was mayor of the city of Ottawa that I was on the board of Hydro Ottawa for six years and got some familiarity with it, in terms of how complex it is. I was also very fortunate to have spent three years on the board of the Independent Electricity System Operator, which is probably one of the most complex mandates that is in the electricity sector.

Most importantly, the Auditor General, who has had to work on energy and electricity files, Don Drummond, who did an analysis of pretty well every operation in the government and included it in his report, and the Environmental Commissioner, who has had to deal with electricity- and energy-related issues—each one of those has formally, in their reports, recommended that we engage in a lot more energy and electricity education for the public. So promoting energy literacy among Ontarians certainly is a top priority for the ministry.

Last year, our government launched a website dedicated to educating Ontarians about the electricity system. The website is called emPOWERme. It provides an excellent overview of Ontario's energy sector and explains how generation, transmission and distribution networks function—in a way that's understandable for somebody who has not been technically engaged in it—together to ensure everybody has access to the clean and reliable electricity they need. The website offers a number of video shorts that explain electricity generation, distribution, measurement and conservation. The site also includes an interactive bill tutorial, infographics, and interactive exhibits about Ontario's supply mix and smart grid innovations.

The emPOWERme website is accessible to Ontarians of all ages, and I would highly recommend that members of the Legislature and of this committee, and certainly their constituents, take advantage of this resource. We believe that this will deliver real benefits to the province and the sector, including a more energy-literate Ontario public that can better understand the trade-offs inherent in energy policy choices. More empowered consumers are better able to manage their own energy usage and help system-wide conservation efforts as a result.

It's amazing how many people are not aware of the number of tools that are available to them to actually reduce their rates through conservation and through other

means. Indeed, there's a much higher level of understanding in the business community—large businesses and small businesses—of the number of programs that are available, and they're accessing them very significantly. I made reference to those in my opening remarks a couple of days ago.

But I do want to ask John Whytock to come up and provide some additional information. He's the director of communications for the ministry, so he will be able to let you know what is unfolding in the ministry.

Mr. John Whytock: Thank you, Minister. Hi, I'm John Whytock. I am the director of communications for the Ministry of Energy. It's a privilege to have the opportunity to speak a little bit more to your question. The minister has touched on a lot of the broad themes, and I'm hoping I can elaborate a little bit more on that.

As the minister mentioned, we have seen a number of calls for energy literacy. He mentioned the Environmental Commissioner, the Auditor General, the Drummond commission, and during consultations across the province in the summer of 2013 that helped create the long-term energy plan, it was a common theme in every community. In every community, there had been a stakeholder session, but there was also a public open house. So there was direct dialogue between a number of senior members of the ministry and just members of the general public, and we did hear literacy coming up again and again.

Everyone agrees that greater energy literacy is a good thing.

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But what was interesting in a lot of reports like the Drummond report or the AG or the ECO is that many times they would indicate that literacy, more education, is a good thing, but they rarely elaborated on why or gave specific recommendations on what they thought the outcome of that would be. I think it's important to emphasize that the public's understanding of the energy system is not just a feel-good exercise: that we would post these materials and feel better that they were out there. It can have real, tangible benefits. It can benefit citizens—consumers—it can help the health and resilience of the system itself if people are better informed and better engaged in the system.

Talking about the broadest sense of what education and engagement and literacy can mean, I think it's important to point out that there was an entire chapter in the 2013 long-term energy plan dedicated to regional planning and to engaging local communities. That was done because two things were recognized: People in communities need a vehicle by which to be heard, and they deserve the opportunity to learn more about the energy system.

Again, as the minister has mentioned, keeping the lights on in Ontario is an immensely complex operation, and we recognize that it's hard to participate in a robust discussion if you don't have even a rudimentary understanding of how it works. It is immensely complex. When public polling or focus groups have occurred in the past, it has become evident that people don't understand

their bills, and even people who say they do don't really know what all the different elements mean when they're asked detailed questions about it. If you don't have that fundamental understanding, how can you really fully participate in the larger discussion?

I want to highlight the four main commitments to regional planning that were made in the LTEP, and this is quoted straight from the energy plan:

First we will implement the recommendations made by the IESO and OPA on "regional planning and the siting of large energy infrastructure."

Second, the ministry and our agencies "will work with municipal partners to ensure early and meaningful involvement in energy planning."

Third, "municipalities and aboriginal communities will be encouraged to develop their own community-level energy plans to identify conservation opportunities and infrastructure priorities. The Municipal Energy Plan Program and the Aboriginal Community Energy Plan Program will support these efforts."

Fourth, "regional plans will promote the principle of Conservation First while also considering other cost-effective solutions such as new supply, transmission and distribution investments."

When you take those four commitments together, that shows there is a great opportunity for the average citizen, should they choose, to participate to ensure that local decisions are going to meld into the larger energy system and that there will be community-level benefit. That chapter of the long-term energy plan has created the channels that help people engage.

The next step of energy education and literacy is making sure they have the knowledge to be full participants in that conversation. We have tackled that in many different ways. One barrier to literacy is if people can't find the energy information they're looking for. The complexity in the system starts with just the number of players involved. You have dozens of utilities. You have regulating organizations. I think that if you just did a poll asking the average Ontarian if they could name the five agencies that report to the Minister of Energy, they would have a hard time naming them or defining exactly what they do, much less know to go to them to look for information. So a lot of information exists; it's not necessarily easy to find if you're starting from scratch. But even if you know precisely what you're looking for, you may not know where to start.

An example of how to make this a little bit easier is that a few months after the long-term energy plan came out, we were able to post all the modules with all the data to support every chart and graph in the energy plan. If you wanted to understand exactly what these long-term forecasts meant, the data was there for you, and it was in an open data, open government form so you didn't even have to rely on our interpretation of it. The raw numbers were there for you to play with however you saw fit.

That's why we've been working to deliver on an LTEP commitment on public reporting as well. Fortunately, before this calendar year is out—sometime in the next

few weeks—the ministry and the IESO should be able to release the first of what will be a series of quarterly energy updates. Again, the information in these updates is information that exists now if you know where to look, but bringing it together in one easy-to-find place that the ministry and its agencies and everyone can point to just provides easier access.

Another challenge in energy education is that we haven't traditionally invested in the research on what consumers understand and how they respond to different information and incentives. So our ministry—this is something that was alluded to in the minister's comments yesterday—is supporting two programs led by third party experts in this area, to gain better insights into what information will best help the average citizen and encourage them to take action.

Research is under way right now by the Mowat Centre and by the energy exchange program run by Pollution Probe. These findings can help everyone in the system—the ministry, its agencies, local utilities, other people engaged in energy literacy and energy education—to customize their education materials to better resonate with the audiences we're trying to help.

It was almost a year ago that the government released the long-term energy plan and, at the time, we launched a new educational web feature that the minister mentioned earlier. It was built partly on the learnings we got from the public consultations around the province. That site is called emPOWERme and it features a series of videos, interactive tools and infographics that all help explain the system.

The videos, for instance, start with the very fundamental elements of energy. Do people understand the difference between transmission and distribution? Do they know what a smart grid is? Do they know why conservation has system benefits as well as personal or household benefits?

I'm happy to say that these videos have been viewed more than 18,000 times to date. Views have been going up in recent months, on average more than 15% per month. Other than paid ads that have run, it's the second-most-viewed set of videos in the government arsenal of educational materials. So I'm rather proud of that.

I'm also proud to say that last night was the Spotlight Awards, honouring excellence in government communications, and our work on emPOWERme won an award for creative design. So our whole team is rather glad that we got some broader acknowledgement that we are—

Mr. John Yakabuski: Nothing on the content, eh? Just the design?

Mr. John Whytock: We put in the application on creative design. I don't think there was a content category. We are communicators.

Mr. John Yakabuski: Oh.

Mr. John Whytock: Related to emPOWERme is our effort to use social media to educate people. For instance, this October we recognized that there is a great deal of energy lost to what is sometimes called vampire power but more commonly called phantom power. Of course,

that's just the electricity that's being consumed when your household devices are ostensibly off.

Recognizing that in October with Halloween coming up—phantom power; Halloween connection—we ran a Halloween-themed campaign to try to drive awareness of phantom power. People could post images or short Vine videos. We created a make-your-own-phantom kit for kids. With a popsicle stick and a pair of scissors, you could make a phantom and go around your house and show your parents where they weren't doing a good job of shutting things off and shutting off power bars. Thanks in part to that campaign, our Twitter feed had our year-best total of about 122,000 impressions.

These are the sorts of tactical things that we're doing on a rolling basis. That's just one example of how social media is reaching out.

New technological innovation that we really couldn't have imagined, that has only been made possible by the smart grid, allows us to introduce new educational tools. For example, today more than 60% of Ontario ratepayers are served by a utility that offers the Green Button initiative. Green Button allows you to download your personal energy use directly from your utility, and that helps you better understand your personal energy consumption habits: how you use it, when you use it, at what time of day or week, or season over season.

Ontario is doing some pioneering work to launch the next phase of Green Button. The first phase was called Download My Data. The next phase is called Connect My Data. At the end of that, what you will be able to do is give your utility permission, or instruct your utility, to share your personal information with an app developed by a private sector developer. That app developer may have found new and interesting ways of presenting your data. We have left it up to the sector to come up with their own innovative ways of doing this, and it's data being fed right to you through this app that you can view on your computer or smart phone. This means people can find the service they want that best helps them use their electricity data to change their behaviour and improve their energy use.

Green Button taps into private sector innovation to achieve real public benefits. Because of Ontario's province-wide investment in smart meters and smart grid technology, we're in a position to be a world leader in facilitating this kind of technology.

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In fact, the original Green Button initiative was introduced by the White House, but when we announced the winners of our Green Button app competition a few months ago, a representative from the White House came up to Ontario to admit that we've moved ahead of them and they're now learning lessons from us. So we really are at the cutting edge on what this can provide.

Another emerging technology tool to help consumers is being piloted right now by several local distribution companies, and it's called social benchmarking. What this allows people to do is see how their energy consumption compares with similar households in their area.

In addition to receiving your traditional bill, you receive another notice that shows how you compare with similar households in your area, so they can compare their progress to that of their neighbours.

Behavioural research that has been done on some pilots in other parts of the world has shown that this approach has been one of the most effective ways to drive behaviour change, to see energy use and energy patterns change most dramatically. Simply put, people are motivated to save energy if they can see how they're doing compared to their peers. We're looking forward to the results of the pilots running right now in Ontario to see if this holds potential as a province-wide initiative.

I think it's also important to point out that our ministry is not alone in the efforts to improve energy literacy. There are a lot of different touch points. The agencies of the ministry have been active in consumer education as well. I gather that most members got to attend the International Plowing Match this year. You would have seen Hydro One's mobile education centre, which has been touring communities around the province to raise awareness about different electricity issues. Maybe you've received mail at your own home from the Ontario Energy Board. They have a consumer protection campaign. It's called Knock Knock, and it's educating you about energy contracts and being aware of what you're signing into.

Those are a couple of examples of how the broader sector is active in many ways, trying to help consumers. That doesn't even tap into what individual utilities do, and there's a great deal of effort being done there as well. So there's a wealth of tools available to consumers.

The final point I'm going to make in my time is how energy literacy relates to conservation. The truth is that Ontarians have done a lot to conserve energy over the past 10 years—the figures are in the long-term energy plan. Ontarians have conserved over 8.6 terawatt hours of electricity since 2005. That's enough energy to power Mississauga. I would wager that in a typical Ontario home you'd be hard pressed to find that something hasn't been done to help conserve energy or change their energy pattern, whether it's just switching light bulbs, a programmable thermostat, buying more efficient appliances or adding insulation to improve energy efficiency overall.

The challenge we face in the coming years, with ambitious conservation targets going forward, is that we need to reinvigorate conservation in people's minds and show them how it can have even further benefits for their homes, businesses and communities, and for the energy system overall.

The Chair (Ms. Cindy Forster): You have about 30 seconds left to wrap up.

Mr. John Whytock: Thank you. Thank you again for your question. I hope I have demonstrated how seriously we take energy literacy and the many ways in which we're approaching the challenge in new and innovative ways. Thank you for your time and this opportunity.

Ms. Indira Naidoo-Harris: Thank you very much for your answer. I really appreciate how detailed it was. I

especially enjoyed hearing about the emPOWERme website and consumer education.

The Chair (Ms. Cindy Forster): We'll move on to the official opposition. Mr. Yakabuski.

Mr. John Yakabuski: Thank you very much, Madam Chair. Unbelievable answer; my gosh, a 20-minute answer. We'll try and keep ours shorter.

Mr. Whytock: clearly, a very, very competent member of the ministry staff. You're assistant deputy minister. Right?

Mr. John Whytock: I'm the director of communications.

Mr. John Yakabuski: Oh, director of communications. But you've got all kinds of assistant deputy ministers here as well.

I'm going to ask the minister—lots of competent people here, and that's obvious, but what if Mr. Whytock only worked 30% of the time, and he decided when he'd come into work. Would you keep him? He's very competent. He's top shelf. I mean, that's obvious. But if he only worked 30% of the time, and he picked the times he came in, would you keep him on staff? Would you let him go, or would you keep him?

Hon. Bob Chiarelli: Is he a part-time worker or a full-time worker?

Mr. John Yakabuski: No, he's there, but he only works 30% of the time and he himself decides when he's coming into work. You can't call him. You can try, but there's no communication. You can't call him. He just decides when he's going to come into work.

Hon. Bob Chiarelli: Does he produce four times the amount of a normal worker?

Mr. John Yakabuski: No. He works 30% of the time.

So if you need him on a Friday, he might say, "No, no, I'm not working Friday." But all of a sudden at 3 o'clock on Friday, "Oh, I'm coming in," because there has been a change.

Now, would you consider him competent? No question about it. Would you consider him reliable?

Hon. Bob Chiarelli: One of the reasons we have staff here working is because I can turn the question over to the deputy. Deputy, do you have an answer to that question?

Mr. Serge Imbrogno: It's an interesting question.

Mr. John Yakabuski: Well, I could ask you the same question, sir. He is competent. I've known him for years. But if he decided he was only going to show up 30% of the time and he picked those days, I want to ask you, would you think that the minister should keep you or suggest that you might find a job somewhere else?

Mr. Bob Delaney: Chair, on a point of order: This hypothetical flight of fancy being very interesting, it still has to be relevant to the business of estimates.

Mr. John Yakabuski: It's completely relevant, and I'm looking for a relevant answer.

If you only work 30% of the time and you decided when you were going to work, would you consider yourself a reliable employee?

Hon. Bob Chiarelli: It's not a relevant question in terms of the estimates for the Ministry of Energy.

Mr. John Yakubuski: Of course it is.

Hon. Bob Chiarelli: Show me how it's a relevant question.

Mr. John Yakubuski: I'm coming to show you shortly. I'm going to tell you that if I was in business, and someone—he could be the best, smartest, most competent person in the world—only worked 30% of the time and decided when they were going to work, not when I needed them, they wouldn't be working for me very long.

Mr. Bas Balkissoon: That's hypothetical.

Mr. John Yakubuski: Bas, glad to see you woke up.

So this is what we have in our systems. I keep hearing about your commitment to building more and more wind, up to 6,480 megawatts by 2025, but that's what we have in our system. It's something that, at best, works 30% of the time, and it works when it wants to work. You don't control it. The Ministry of Energy doesn't control it. The IESO doesn't control it. The OPA doesn't control it. The OPG doesn't control it. Hydro One doesn't control it. Nature, or the good Lord, if you're religious or spiritual, controls it. But you want to build more and more of that into our system.

What's happening in Europe—in Germany, where they've got 25,000 megawatts of wind or more, they're finding it to be becoming more and more of a challenge with grid stability because of that amount of wind in their systems, so they're firing up decades-old coal plants to fill the void when the wind doesn't blow.

Now, I heard your speech last night. I thank you for the shout-out. I really appreciate that. You were very nice to me and I very much appreciate that. But you talked about some of your plans, and one of the things you talked about in your capacity market—I'm going to get to that. But if we continue to put more and more wind in our system—and this is a fair question—will that not increase the amount of grid instability that is potential in our system based on the fact that for every megawatt of wind that you put into your system it is a megawatt that you no longer have power over? It's nature. Now, you can forecast it, but, as we know, forecasting the weather is not the easiest game in the world. Is that not likely to increase the amount of grid instability in our system?

Hon. Bob Chiarelli: Let me answer that question by talking about what percentage of time is consumed with the different types of generation that we do have. For example—

Mr. John Yakubuski: We'll see how long you take.

Hon. Bob Chiarelli: If you look at the gas plants, they're operational somewhere between 30% and 40% of the time. They operate 30% or 40% of the time, the gas plants. Nuclear, I think, is up around 85% or 90%.

Mr. John Yakubuski: Oh, it's more than that.

Mr. Serge Imbrogno: On average.

Hon. Bob Chiarelli: On average—let's say 85%; and gas is operating 30% of the time. Hydroelectricity is what percentage, roughly?

Mr. Serge Imbrogno: In the high range, 80% or 90%.

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Hon. Bob Chiarelli: About 80% or 90% of the time. They all operate at different times. So you have to ask: Why do they operate so little or so much depending on what they are?

We have the Independent Electricity System Operator, which is responsible for managing the electricity system.

Mr. John Yakubuski: I understand all that.

Hon. Bob Chiarelli: Okay. They're responsible, first of all, for making sure that the right amount of power is in the system at all times—

Mr. John Yakubuski: It has to match. I understand that.

Hon. Bob Chiarelli: You're aware of that. Okay. And that there's something called ramp time: how long it takes to ramp up or ramp down. You know that nuclear is our base. There's something called dispatch. The Independent Electricity System Operator basically has the legal and regulatory authority to tell every generator in the province when to ramp up and when to ramp down—

Mr. John Yakubuski: Yes, I totally understand that.

Hon. Bob Chiarelli: —when to take a gas plant and get it up to 40% or 50%. When we first installed wind, the power to dispatch or order to go up or down did not exist. But about a year or a year and a half ago, the IESO changed the regulations so that now they can direct or dispatch wind. Even if they're generating it, they won't get paid. That little bit—

Mr. John Yakubuski: But you cannot dispatch the wind to operate.

Hon. Bob Chiarelli: No, you can't.

Mr. John Yakubuski: There you go. So thank you. I'm going to—

Hon. Bob Chiarelli: That's true, but it's—

Mr. John Yakubuski: On your gas plants, Minister—

Hon. Bob Chiarelli: It's like a penalty killer in a hockey team. They have a job. They only go out there for certain things—

Mr. John Yakubuski: I never killed penalties; I got the penalties.

Hon. Bob Chiarelli: They only go out there for certain things. So—

Mr. John Yakubuski: Okay. Let's go back to—

Hon. Bob Chiarelli: —wind is part of the electricity mix—

Mr. John Yakubuski: Yes. You're making a lot of it right now. Let's get a turbine hooked up and see if we can't generate something.

Hon. Bob Chiarelli: —that has a particular purpose in the system.

Mr. John Yakubuski: Okay. Let's talk about those gas plants now. You're talking about 40%—the gas plants run 40%. But if you wanted, if you chose, you could run those gas plants at a much higher capacity. Other than maintenance, you could run them all the time. You'd have to take them down for routine maintenance and if there was a breakdown or whatever. But you could run those any time you want.

You can take the system and say, “We’re not paying for”—which I will concede and say that that was a good decision on your part, that you’ve changed the rules from where they were originally, because they were crazy. But it took you a long time, Minister, to come to your senses and say, “We just can’t pay for wind at the top market price every time it blows, even when we’re pouring water over our dams and letting it pass by our turbines at our hydraulic stations, blowing off our nuclear plants,” which you say are running at 85%—I would say that if you didn’t have to blow off steam on them half the time when you were taking wind into the system, they’d even be more efficient and productive. But you’re paying those nuclear operators when they’re letting off steam because we’re letting wind into the system.

So yes, you’ve made a positive change, but that still doesn’t balance the system completely. You still have the situation that you can deny wind access to the market, but you can’t tell it when you want it to join the market. You have no control over when wind actually joins the market. If it’s blowing, you can’t say, “Sorry, we don’t want you today, Mr. Windy, but we might take you tomorrow.” There’s a huge difference.

When you’re talking about stability in the grid, for every megawatt of wind that you give access to, for every megawatt you build, you are inherently building more instability in the grid, because you have an unreliable source of generation. Would that not be a fair statement?

Hon. Bob Chiarelli: I want to go back to my analogy in the sense that—

Mr. John Yakubuski: I thought you’d say you want to go back to Ottawa, where you used to be mayor.

Hon. Bob Chiarelli: No. Actually, I’d like to come back to my hockey analogy, number one. We have an energy mix in Ontario that’s deemed to be among the best in the world. We’ve got a combination of generation facilities. It gives the system operator more tools to do the job. If you’ve got a power play, you put those guys out. If you’ve got penalty killers, you put those guys out. The penalty killers play maybe five or 10 minutes a game. You have the main first line; they’re out there 19 or 20 minutes a game.

It’s the same thing. Nuclear is the base. It’s out there and it has a job. It’s very, very slow to ramp up and ramp down. It’s very, very reliable. It’s cost-effective and it has a role to play. Gas, on the other hand, is very, very quick to ramp up and ramp down.

Mr. John Yakubuski: I know how the system works.

Hon. Bob Chiarelli: They all have a role to play. The wind and the solar—you’re not talking about solar very much; you’re talking about wind. Wind and solar is to make sure that we have enough clean, emissions-free electricity in the system. It doesn’t have to be on all the time. It’s dispatched off, yes. Sometimes it can be dispatched on under certain circumstances—

Mr. John Yakubuski: Do you not still have contracts out there that require you to pay them all the time when they produce wind? The contracts that were there before you came out with this new regulatory approach; the

contracts that were operating, say, in 2008, 2009, 2010 and 2011: Have those contracts been altered to ensure that they’re not being paid unless when you’re buying the power from them?

Hon. Bob Chiarelli: Nuclear power—

Mr. John Yakubuski: No, I’m talking about the wind.

Hon. Bob Chiarelli: No, no, I want to answer your question. Nuclear power sometimes gets paid when they’re not generating. Gas sometimes gets paid when they’re not generating. Hydroelectric sometimes gets paid when they’re not generating. We have a contract on the power purchase agreements that says, “You are building this capacity for us. We can ramp you up or down.” They’re not going to build—

Mr. John Yakubuski: When do you pay nuclear when they’re not generating? Give me the circumstances—

Hon. Bob Chiarelli: Bruce Power.

Mr. John Yakubuski: No, when do you pay them when they’re not generating? You’re paying them when you’ve got a surplus and you’ve forced them to blow off steam because you’re letting something else into the system. There’s never a time—

Hon. Bob Chiarelli: I’m—

Mr. John Yakubuski: Minister, when we hit our lowest-demand time, there would never be a situation when our demand in Ontario would be lower than our nuclear output of itself. There would never be more nuclear power in the system than the demand of Ontario as a whole. So if you’re paying nuclear for not generating, you’re buying something else to put in the system.

Hon. Bob Chiarelli: I know that the IESO dispatches nuclear up and down, and I’m going to ask the deputy to explain how and when that happens, or, in the case of Bruce Power—

Mr. John Yakubuski: I don’t really need the explanation.

Hon. Bob Chiarelli: So you accept what I’m saying.

Mr. John Yakubuski: No, I’m not accepting it. I’ll give your deputy a minute.

Mr. Serge Imbrogno: I was just going to say, on the wind, we negotiated changes to the existing contracts for the OPA that allow the OPA to curtail, dispatch the wind for a certain amount of hours that they wouldn’t be paid—

Mr. John Yakubuski: All of them?

Mr. Serge Imbrogno: All the existing contracts, for a certain amount of hours each month. So up to that amount, the OPA doesn’t have to make the additional payments when they’re dispatched.

The other thing I would add in terms of the generation mix that the minister talked about, having that balanced mix: For natural gas, you have a high variable cost, low capital cost and high emissions relative to renewables; whereas with renewables, you have low variable—zero; when the wind blows, you don’t pay for that—but a high capital cost.

Mr. John Yakubuski: But you had to build all that gas to back up the wind.

Mr. Serge Imbrogno: But it’s that mix, right? If you put too much of your mix into gas, you have high emis-

sions and you have that risk of natural gas prices going forward. You offset that risk by having more renewables, a high capital cost, but low variable cost and low emissions. It's that mix that the minister was talking about, where you don't put all your investments in one area.

Mr. John Yakabuski: I understand. There are a lot of different generation types in our system, and I suppose it makes sense. The fact that you're bringing in so many megawatts of something that you don't have control over—you have to have that gas. You wouldn't have to have as much gas in your system if you didn't have as much wind. You've got to have that backup. Because you have wind, you have to have something that you can control in case the wind isn't blowing. That's a fair assessment, is it not?

Hon. Bob Chiarelli: Right now, Alberta has about 8% of their capacity in wind. Quebec is building wind. Quebec is very, very high on—

Mr. John Yakabuski: I'm not asking you about it—

Hon. Bob Chiarelli: No, but—

Mr. John Yakabuski: I'm doing the estimates committee in Alberta next week.

Hon. Bob Chiarelli: The fact of the matter is that good system operators are putting an amount of wind into their system, such as Alberta, such as Quebec, Maritime provinces, many states in the United States. Ontario is doing it. They're doing it for a reason.

Mr. John Yakabuski: That's not my question. My question is, if you didn't have as much wind as you have in the system, you wouldn't have needed as much gas to be built in order to back up that wind, because if the wind stops blowing, you have to have something that you can ramp up quickly. Like you said, gas you can ramp up fairly quickly, so that you can make up for that loss of power if the wind isn't blowing. Is that not, in general, a fair statement, Deputy?

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Mr. Serge Imbrogno: Well, I'd say that you need that variety in the mix. You have, as the minister said, the baseload nuclear ones all the time, you have the intermittent load, and then you have gas that takes up the slack, either up or down. I think it's that mix—

Mr. John Yakabuski: I think you're saying exactly what I did, just—

Hon. Bob Chiarelli: No. If you're using more gas, you have more emissions, so if you have wind available, you would have to dispatch less gas and less emissions. It's a cleaner system.

Mr. John Yakabuski: Only if it's operating.

Hon. Bob Chiarelli: That's why you have a variety of—

Mr. John Yakabuski: If you had 100,000 megawatts of wind, and no wind blew that day, how much power would you produce? It's sort of like if a hen and a half laid an egg and a half in a day and a half—just a riddle for you. If you had 100,000 megawatts of wind, and none of it blew, how much power would you produce that day? Zero.

Hon. Bob Chiarelli: There are gas plants that are just peaking plants.

Mr. John Yakabuski: Understood.

Hon. Bob Chiarelli: They generate very, very little—for example, if you look at the Thunder Bay gas plant, which is now being converted, when it was operating—sorry, it was coal. But when you have them operating—

Mr. John Yakabuski: Thunder Bay is being converted to what?

Hon. Bob Chiarelli: Biomass. It was the last coal one to be eliminated, and it's gone to biomass.

Mr. John Yakabuski: Atikokan has gone to biomass.

Hon. Bob Chiarelli: Both of them are.

Mr. John Yakabuski: Well, Thunder Bay's not operating on biomass yet, is it?

Mr. Serge Imbrogno: It's being converted—

Hon. Bob Chiarelli: They're both operating on biomass now. I was up in Atikokan three or four months ago and they had started it.

Mr. John Yakabuski: Started it.

Hon. Bob Chiarelli: Thunder Bay is about to get started.

Mr. John Yakabuski: Oh, okay. Atikokan is done.

Hon. Bob Chiarelli: But if you take the gas plant in Napanee, which is closer to your home—

Mr. Serge Imbrogno: Lennox.

Hon. Bob Chiarelli: Lennox.

Mr. John Yakabuski: Yes, I was going to say, the gas plant in Napanee—

Hon. Bob Chiarelli: It's Lennox.

Mr. John Yakabuski: —I guess we're going to see that someday.

Hon. Bob Chiarelli: No, in Lennox.

Mr. John Yakabuski: That's the billion-dollar gas plant.

Hon. Bob Chiarelli: In Lennox, okay?

Mr. John Yakabuski: Yes.

Hon. Bob Chiarelli: It's a peaking plant, so it might only be operating at 5% or 10%.

Mr. John Yakabuski: That's why you need to build another gas plant next door.

Hon. Bob Chiarelli: So when demand is highest, they bring the penalty-killer out for his two minutes on the ice.

Mr. John Yakabuski: How much time do we have?

The Chair (Ms. Cindy Forster): Three minutes.

Hon. Bob Chiarelli: They come out so that you can meet your peak.

Mr. John Yakabuski: Okay. I think we're saying the same thing; we just have philosophical and ideological differences. I'm going to accept that we're not likely to agree, but I think we just wanted to make some of those points.

Now, I don't have a whole lot of time left in this segment, but I'm going to move on to something else in the next segment. In these three minutes, I'm going to ask you about the capacity market you talked about in your very, very well-received speech at the APPRO conference last night. It sounds to me like you're basically saying that people are going to get into the market on their

merits—not people, but generators are going to get into the market on their merits. But it sounds like there are going to be a lot of rules or points attached to different characteristics. You're going to get a lot of points for being this or being that; as you get into that market, it's going to be based on "green," "clean" or "reliability." You named them, Minister, not me, so you obviously know it better than I do.

How tilted is it going to be to favour one type of generation over another? You claim it's going to be completely open and fair, but then you put all these caveats in there. How tilted is it going to be to favour one type of generation over another?

The Chair (Ms. Cindy Forster): You have one minute.

Hon. Bob Chiarelli: It's not going to be favoured in any way, shape or form, but what most capacity auctions—our markets, as some people would call them—would do is that there are certain requirements to operate the system. It's not to favour one or the other; it's to put into the procurement or into the market auction as to what we need. Let's say, hypothetically—

Mr. John Yakubuski: Oh, they don't deal with hypotheticals. Mr. Delaney said that they don't deal with hypotheticals.

Hon. Bob Chiarelli: Okay, well, that's a big word. Let's assume, okay?

Mr. John Yakubuski: Oh, do we want to—go ahead, sir.

Hon. Bob Chiarelli: If it's felt that they needed something that can help achieve peak quickly, then it might suggest that gas could be a part of what they want to bring to the table. Let's assume that they're procuring 500 megawatts. Well, they could bring 100 megawatts of gas. They could bring X amount of conservation. It's the proponent that can choose what they want to put into the auction.

As I mentioned last night, and very, very clearly, the—

Mr. John Yakubuski: But it's not who puts it into the auction, it's who makes the decision who wins that bid.

Hon. Bob Chiarelli: The capacity auctions are basically very varied in terms of where they are.

The Chair (Ms. Cindy Forster): Thank you, Minister. Your time is up.

Hon. Bob Chiarelli: Alberta has one that has certain attributes; US jurisdictions have others. So we are going to consult with all of our stakeholders—

The Chair (Ms. Cindy Forster): Thank you, Minister.

Hon. Bob Chiarelli: —and you will have the opportunity to contribute—

The Chair (Ms. Cindy Forster): I'm turning it over to Mr. Tabuns now.

Mr. Peter Tabuns: Thank you, Minister.

Hon. Bob Chiarelli: —your opinion on the capacity markets as well.

Mr. Peter Tabuns: Thank you.

Mr. John Yakubuski: And I'm sure you'll offer me a briefing.

Mr. Peter Tabuns: And thank you, Mr. Yakubuski.

Minister, yesterday you talked a little bit about the proposal that the Electricity Distributors Association has put together to buy Hydro One distribution assets. Do you and your officials have a copy of their proposal?

Hon. Bob Chiarelli: They've made it public, to my knowledge. They've issued a press release on it. We've had meetings where they've described it to us verbally. I certainly will be happy to get in touch with them and ask them to make whatever they have available to you. But they've been very open about it. They've mentioned it to a number of people. They did send a letter to us at one point. I'm happy to give you a copy of the letter that they sent to us at one point—

Mr. Peter Tabuns: That would be great. If we could have that noted.

Hon. Bob Chiarelli: —and our response as well.

Mr. Peter Tabuns: Yes, I would like both.

Hon. Bob Chiarelli: Okay, for sure.

Mr. Peter Tabuns: That would be good. Thank you. I appreciate that.

Can you summarize the shape of their proposal? Do they want to buy the assets as a whole? Do they want to buy only parts of assets that are adjacent to existing LDCs that want to expand?

Hon. Bob Chiarelli: I'm going by recollection, okay? I don't have it with me right here now, but from meetings we've had with them etc., my understanding is that the nature—at a high level—of what they are proposing to do is to put together a collection of existing LDCs which are members of their association, the Electricity Distributors Association. They then want to offer to take over the operations or purchase Hydro One generation. In a sense, it would be a significant consolidation.

They had terms that my recollection is were unacceptable at this point because of the nature of their offer. For example, they wanted to buy them at book value, and book value is depreciated value; it's not market value. The trading in LDCs or utilities is usually based on a value per customer, the number of customers you have times the value. They take into account the nature of the business as well. So they were not in the ballpark.

They have never made a concrete legal offer. What they have said is, "This is the type of offer we'd like to propose or perhaps negotiate." It was very non-legal in nature. But my understanding is that they have indicated that if and when—and it's a big if—some of Hydro One's distribution is put up, they would likely be a bidder on it. It would not be private sector, as you had suggested.

There is a concept out there—there's no entities that we know of—that other utilities might want to be a bidder, such as Toronto Hydro and one or two others. It's not just this group. So it's not necessarily going to be private sector capital, a private sector operator, although if there are LDCs that come to the table to purchase, they may be using private sector financing to make it happen.

I'm trying to be as precise as I can without having the papers in front of me—

Mr. Peter Tabuns: No, I'm appreciative.

Hon. Bob Chiarelli: —and I'm happy to sit down with you and talk to you about how that evolved and where it may end up.

Mr. Peter Tabuns: Okay. When we talk about most of these local distribution companies, and I have more familiarity with Toronto Hydro, they don't have a lot of extra capital sloshing around. If Toronto Hydro had extra capital, they'd probably be investing it in their assets.

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You've mentioned the potential for private partnerships. Will these companies—or have these local distribution companies talked to you about removing barriers to them taking on board private capital?

Hon. Bob Chiarelli: No. No, they haven't. If you want to look at one example that's out there, and I have no idea whether it can be replicated in terms of—I don't know whether you'd describe what I'm going to tell you as this existing model, whether it's considered private capital or not. But if you look at Bruce Power, for example, Bruce Power has an operator, which is Bruce Power. The funding when they took over Bruce Power from OPG came from Borealis, which is OMERS—union money. They also gave equity to the two unions, the society of engineers and OPG—sorry, a power workers' union, for example. So whether you would call Borealis private money or private investment or not, I don't know, but it's pension dollars.

Mr. Peter Tabuns: I understand, but I also understand that British Energy was one of those partners in that initial takeover.

Hon. Bob Chiarelli: Oh, yes, exactly.

Mr. Peter Tabuns: And TransCanada PipeLines is now one of the partners.

Hon. Bob Chiarelli: TransCanada?

Mr. Serge Imbrogno: It started with British Energy, but then Bruce Power became the owner with OMERS, TransCanada and the unions.

Mr. Peter Tabuns: Right.

Hon. Bob Chiarelli: The only point I'm trying to make is that it may be that teachers and OMERS or any other pensions might get together with LDCs and try to put something together. So there are a lot of options that could evolve out of this, but it's still at a due diligence stage in terms of what the procurement might look like, what it might allow etc.

Mr. Serge Imbrogno: Just to add on that, right now, with Enersource, OMERS is a 10% owner of Enersource. It's an existing LDC with private capital investment.

Mr. Peter Tabuns: And that 10% is currently a cap, is it not?

Mr. Serge Imbrogno: Part of the income tax, if you put more than 10%, it becomes—you treat it more as a private company. It pays real taxes, so 10% is kind of an income tax ceiling.

Mr. Peter Tabuns: What changes would have to be made to allow the private sector to increase their ownership of LDCs, let's say to 49%? What are the two or three key legislative changes that would have to be made to allow greater than 10% ownership—say 30% or 49% ownership?

Hon. Bob Chiarelli: All I know is that there's a lot of due diligence being done on the part of the asset committee. That's technically not part of these estimates in the sense that it's the Ministry of Finance that's directing that initiative, but what I can tell you is that the question of taxes, how things would be dealt with fiscally by the Auditor General etc.—they're doing a lot of due diligence in that area and that's not firm yet at this point.

Mr. Peter Tabuns: Are there any particular legislative changes that would have to be made to allow municipalities to invest in these utilities so they can make the purchase?

Hon. Bob Chiarelli: I believe not, because they're doing it now. You had—

Interjection.

Hon. Bob Chiarelli: Yes, Enersource. I mean, they basically privatized that portion of it and they didn't require legislation.

What other consolidations took place?

Mr. Serge Imbrogno: PowerStream.

Hon. Bob Chiarelli: Yes. PowerStream has acquired three or four different LDCs, and it didn't require legislation. So I guess the answer is no.

Mr. Peter Tabuns: Is legislative change being looked at in the course of this process to allow greater private ownership of these municipal utilities?

Hon. Bob Chiarelli: I'm not aware that it is.

Mr. Peter Tabuns: Okay. I tried to ask this question yesterday and we simply ran out of time. Have you briefed Mr. Clark and his panel on Hydro One, how it operates and what the consequences would be of selling off all or parts of it?

Hon. Bob Chiarelli: Mr. Clark has had unfettered access to senior management at OPG and at Hydro One. He's, on a confidentiality basis, doing that. So he is informing himself independent of our opinion so he can give us independent advice.

Mr. Peter Tabuns: Okay. Hydro One is the largest amalgamated distribution company in Ontario. It sells \$4 billion worth of power. Toronto Hydro sells about \$3 billion. How does it advance the effectiveness of Hydro One to have all or part of its distribution companies sold off? You don't have a more amalgamated distribution company in this province right now.

Hon. Bob Chiarelli: There may be that option. There may be more consolidation that comes out of a particular purchase and it wouldn't be improbable one way or the other. Again, I'm really talking out of turn here because this is really an issue that the Minister of Finance should be talking to, because the enterprise assets are being looked at as a whole in terms of what value collectively can they bring to the government in a way that is reasonable, at least from the government's point of view.

Mr. Peter Tabuns: Let's say—

Hon. Bob Chiarelli: So—

Mr. Peter Tabuns: Sorry, go ahead. Finish your—

Hon. Bob Chiarelli: I guess that's all I can say on that point.

Mr. Peter Tabuns: Fair enough. Should, let's say, Enersource—I say this not because I have any informa-

tion to this effect, but let's say they were to decide to buy part of Hydro One. They would be taking on cost, and they would have to raise capital. Is it fair to assume that when they go to the Ontario Energy Board, the regulator would allow them to pass the cost of that capital onto their customers?

Hon. Bob Chiarelli: Well, first of all, it's hypothetical. Many things could come—

Mr. Peter Tabuns: No, I understand that, but would the OEB be allowed—

Hon. Bob Chiarelli: Let me answer that quite, let's say, on a high level.

Mr. Peter Tabuns: Okay.

Hon. Bob Chiarelli: The Ontario Energy Board would likely have to deal with these issues. I'm not going to pre-empt what I think their authority is or is not at this particular point in time. PowerStream or Enersource, individually or collectively, who knows, might—but the other issue is, I would assume that the Ontario Energy Board has approved those amalgamations that have already taken place. The amalgamations that would have taken place would have required investment dollars—more capital to go in.

Mr. Peter Tabuns: Right.

Hon. Bob Chiarelli: So, I guess, from a purchaser's point of view, they look at it as buying a business.

Mr. Peter Tabuns: Yes.

Hon. Bob Chiarelli: So I think—which distribution companies did PowerStream acquire?

Mr. Serge Imbrogno: Well, they were the smaller ones around—

Hon. Bob Chiarelli: Barrie was one of them, eh?

Mr. Serge Imbrogno: Yes, like around Orillia, I believe.

Hon. Bob Chiarelli: Yes. So they would look at Barrie and say, "You know what? Barrie now is generating X amount of dividends to the municipality, so it's generating a return. So how much can we invest that will be amortized so that it will pay for our debt at the same time as pay a return, but when the debt is paid off, it will be paying a bigger return?" It's a business proposition for PowerStream to buy the Barrie utility.

Mr. Peter Tabuns: So I guess the essential question for me is this: The OEB would not prohibit a purchaser from passing on the cost of the purchase to the ratepayers?

Hon. Bob Chiarelli: They might.

Mr. Peter Tabuns: What would be the basis for doing that.

Hon. Bob Chiarelli: I don't want to pre-judge what the OEB does.

Mr. Serge Imbrogno: I think the regulatory principle is, if a buyer pays a premium for that asset, you can't pass that additional premium onto the ratepayer. So the buyer would be making a business decision to say, "I'll pay that premium, but over time I think I can derive more efficiencies and get my rate of return that way." You can't just pass on the premium that you pay onto the ratepayers.

Hon. Bob Chiarelli: I want to make very, very clear that we, collectively, have indicated to Mr. Clark and whoever is going to be making those decisions that one of the factors is that if any transaction results in an increase in rates, then it's a non-starter for us.

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Somebody may very well feel they can go in and operate more efficiently than, let's say, Hydro One networks is doing, and they take that into account in their purchase. I don't know whether the OEB would take that into account or not. I don't know enough about the functioning of the OEB without getting some research on it to answer that question. You could probably research and end up knowing more than I do.

Mr. Peter Tabuns: Who knows? Anything could happen.

Going back, let's assume that a company buys and they're not allowed to pay a premium. Two years down the road, they find out their business case was faulty. They can't afford to go bankrupt. No municipality's going to let their local distribution company stop functioning. Is there anything that protects the ratepayers from having those financial difficulties from not being passed on to them?

Hon. Bob Chiarelli: I can speculate—that's all I can do—that whatever bidding process is going to take place, there will be protections that are put in to protect the ratepayers.

Mr. Peter Tabuns: Are you expecting that amalgamation of local distribution companies with Hydro One will give rise to efficiencies and a reduction in costs? Is that part of your assessment of where this goes?

Hon. Bob Chiarelli: That's part of the assessment of the Murray Elston—

Mr. Peter Tabuns: Yes, I remember the report.

Hon. Bob Chiarelli: —report etc. It said quite clearly that, over a period of 10 years, with some reasonably significant amalgamation or consolidation, it would be more efficient and it would reduce price pressures for the ratepayer. That's the general principle that they've applied to consolidations.

I had the numbers in my remarks yesterday. In California, which has, I think, three or four times the population of Ontario, they have four distribution companies.

Mr. Peter Tabuns: Yes, you made those remarks yesterday. That's right.

Hon. Bob Chiarelli: So consolidation will generate efficiencies. That's for sure.

Mr. Peter Tabuns: I'll move on from that. The status—

Interjection.

Mr. Peter Tabuns: Thank you, Chair. The Bruce B refurbishment negotiations: Can you tell us the status as of today?

Hon. Bob Chiarelli: As of today, no. I have not been informed today or yesterday or this week what the status is. Perhaps I can turn it over to the deputy.

Mr. Peter Tabuns: Your latest status would be useful.

Mr. Serge Imbrogno: The OPA has a negotiating team. That's been assembled and they're negotiating with

Bruce. They post on the site the updates. I think it's ongoing. I don't think there's any pertinent or imminent decision, but it's an ongoing discussion.

Mr. Peter Tabuns: And will the outcome of that negotiation be subjected to a hearing at the OEB before it's finalized by the government of Ontario? Will there be a public review process in front of a regulatory body?

Hon. Bob Chiarelli: I don't have the answer to that. You see, the Bruce Power agreement right now still has time to run on it. So this is an amendment to an existing one. That's number one. Number two, I don't know, again, to be fair, whether or not that would be reviewed by the Ontario Energy Board.

Mr. Peter Tabuns: Is it your intention to have it reviewed?

Hon. Bob Chiarelli: I can't answer that question right now. I haven't personally considered that issue at this point.

Mr. Peter Tabuns: Can I ask your deputy if he's thinking about making a recommendation to you?

Mr. Serge Imbrogno: Maybe I could just say, the previous negotiations between the OPA and Bruce was that the OPA would do the due diligence and make a recommendation to the government. So it didn't go under an OEB process. It was under an OPA process, where they would hire all the financial advisers and do all the due diligence. The government itself would hire its advisers to do the due diligence as well. So that was a process that was followed initially.

Hon. Bob Chiarelli: It's not considered a regulated agency, Bruce Power—

Mr. Peter Tabuns: No, I understand that.

Hon. Bob Chiarelli: —because it's a power purchase agreement. If it went to the OEB on a regular basis to be rated, then they probably would have jurisdiction over it. For example, on a large renewable, it's a power purchase agreement. The OEB doesn't sign off on that.

Mr. Peter Tabuns: But would you have the authority to ask that it be reviewed through a public hearing at the OEB?

Hon. Bob Chiarelli: I'm not sure.

Mr. Peter Tabuns: Could I ask you to check into that and get back to this committee with a response?

Hon. Bob Chiarelli: Well—

Mr. Peter Tabuns: I'm asking whether you have the power. I'm not asking whether it's currently—

Hon. Bob Chiarelli: Whether I have the power or not—I mean, the Ontario Energy Board Act and the regulations set out what their powers are. You could go and look at that just as easily as we could. You might come to your own conclusion; I might have a different conclusion. But I would say that their power and jurisdiction are in the act, and I'm not going to interpret it here.

Mr. Peter Tabuns: I'm asking if you, as the Minister of Energy, would have the power to send this matter to the OEB for hearings, just as you've currently asked the OEB to look at the Energy East pipeline. They're not looking at Line 9; They're looking at Energy East. I'm

assuming that you made a request of them to look at Energy East—

The Chair (Ms. Cindy Forster): Mr. Tabuns, your time is up.

Mr. Peter Tabuns: What a shame, Chair.

The Chair (Ms. Cindy Forster): We'll move on to the government. Ms. Kiwala, 20 minutes.

Ms. Sophie Kiwala: Thank you. I wanted to thank you for being here. It's been interesting to hear the various ministers and what they have to say. The area of energy is one that is paramount in our riding. I'm very thankful for the commitment that the Ontario government has given to clean energy and clean energy technology.

Eliminating coal-fired plants is certainly a feather in our cap that I'm very proud of, and I know that all of our MPPs are proud of as well. It's something that resonates in our community, and that fact continuously comes up in Kingston and the Islands. In fact, during the election I had a debate on energy. I was new to it at that time, so I did a lot of studying for this debate. We reviewed many different aspects of energy and many different angles of those subjects. I studied to death, I have to say, enjoyed it immensely and learned a lot. After the debate was over, a senior research associate at Queen's in energy and environmental policy said to me, at the end of the debate, "Why didn't you just answer every question with, 'Well, we got rid of coal-fired energy plants'?" That's an understatement, an oversimplification. We're absolutely delighted, and I know that many people in this province are as well, that we have done that. It's a huge accomplishment.

As you're aware, Kingston has been a little bit of a hub in the clean energy field. We've got Queen's University, we've got St. Lawrence College with a very well-attended energy systems engineering technology program. Clean energy technology has provided 2,700 clean tech firms in Ontario and employs 65,000 people, which is very impressive. I know we've generated significant investments and jobs, and to borrow a term from our colleagues in the opposition, no matter how you slice or dice it, clean energy has a profound, positive impact. So we can debate here in this committee different angles of it, but overall, I believe it's very positive.

Since the Green Energy Act was implemented, there have been instances of municipalities who have felt that they have not had sufficient input into the siting of renewable energy projects in their communities. You know that in my riding there were concerns over how much input local councils have on Wolfe Island. It is my understanding that before they embarked on their wind project, there was an extensive consultation process that was undertaken. As you can imagine—and I know you are aware—these projects have the potential to divide communities. Landowners are often in favour, especially if there are monetary gains. And with all things new there's always some anxiety about what we can expect from change, questions about property values, disruption to land, effect on neighbouring properties, issues with construction like dust, supplies, expert labour. In the case of Wolfe Island, transportation was a significant factor,

because of course we had the ferry system being used and you had huge wind turbines coming over on the ferry, so it was a pretty challenging issue in our community. To say that the particularities of this scope of project was a challenge is an understatement.

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So now we have 86 turbines on Wolfe Island generating power, landowners are benefiting, and we have a growing nucleus of students coming out of the St. Lawrence College program who are receiving expert training in their field, making them capable of building these projects. And we've actually had the benefit of tourism from the wind turbine project. People are coming over on the ferry, they're driving over to have a look at the turbines.

So my question to you is more about the siting of these projects and what changes you're making to give municipalities, communities, and First Nation and Métis communities more control over the siting of renewable energy projects.

Hon. Bob Chiarelli: Thank you for the question. I have to say congratulations to Kingston and area for their leadership in this area of renewable energy. I know that there are a number of projects related to renewable energy that are very helpful to the system.

Our government's priority, as we've said over and over again, is to build clean, reliable and affordable energy in a way that respects communities. Certainly, renewable energy—wind, solar—has been a significant part of replacing dirty coal. We're the first jurisdiction in North America to completely eliminate coal.

From the beginning, we have been attentive to respecting communities in siting. We had several years of experience with respect to large wind turbines. We decided that we could tighten up the relationship with the municipalities. Last summer, the Ontario Power Authority and the IESO, or the Independent Electricity System Operator, engaged with municipalities, First Nations, community associations and others to get their feedback on large renewable procurement. Large renewable procurement basically is the very large solar farms and wind turbines. The consultation was across the province. It was very substantive, and we had a lot of uptake in the consultations. Mayors and councillors spoke, and spoke loudly; communities spoke, and we listened. As a result, we have increased local control over renewables siting and brought stability and predictability to procurement.

For large renewable projects—essentially wind turbines—the OPA has developed a new bidding process in which projects that have the support of local communities will be given priority. So the large renewables have been taken out of the feed-in tariff program, and a separate type of procurement—procurement that can be tailored for large wind turbines and can be tailored to have much more significant involvement by the local community.

So we've increased local control over renewables siting, and for large renewables, the Ontario Power Authority has developed a bidding process in which projects

that have the support of local communities will be given priority. What that means, in effect, is that for the bidders it will be very, very difficult to successfully win a contract for wind turbines unless they've had a significant engagement with the municipality. We're very confident that that will be the outcome.

We changed small feed-in tariff program rules to give priority to projects that are partnered with, or led by, municipalities. That would include solar and other types of projects that are considered to be small. You're talking about solar rooftops on municipal buildings, on libraries, and that type of thing. We've changed the process for that so that if you're partnered or led by a municipality, or a municipality has an involvement in it, then it will be very beneficial to the municipality.

We worked with the municipalities to implement a property tax rate increase for wind turbines so that the municipalities would generate more revenue from the turbine towers.

Again, our government is committed to investing in renewable energy and doing so in a way that respects communities and gives them a stronger voice. The new process for large renewables—or for the wind turbines—will take into account local needs and considerations before contracts are offered, so it becomes part of the RFP process. Engagement with municipalities and First Nations communities will be a critical element of the LRP program.

We have introduced funding for small and medium-sized municipalities to create municipal plans that incorporate energy in the local planning process. In effect, we're assisting municipalities to be part of the energy planning process. We have worked with the OPA and the IESO to put a lot more emphasis on regional planning for electricity, so municipalities—and we're helping the smaller ones with funding to put together plans for their community for the energy and electricity sector. The changes have a net result of giving municipalities a very, very significant say in moving forward. It also gives them opportunities to partner and to generate an income flow for the municipality.

We now have gone through our first large procurement start. We've had an RFQ process and we've selected a number of people.

How many megawatts in this procurement, do you know?

Mr. Serge Imbrogno: Three hundred.

Hon. Bob Chiarelli: Three hundred? Three hundred megawatts. And now we're getting ready to go through the procurement process. We're still working with a draft, still fine-tuning it to make sure that municipalities will have sufficient protection in the procurement.

I might ask Kaili, who's our deputy minister responsible for renewables, to speak to this issue as well.

Mr. Serge Imbrogno: She's our assistant deputy minister.

Interjections.

Ms. Kaili Sermat-Harding: My name is Kaili Sermat-Harding. I am assistant deputy minister of con-

servation and renewable energy at the Ministry of Energy.

Thank you very much, Minister, for the opportunity to perhaps add a few remarks to what the minister has already outlined, in terms of, particularly, the large renewable procurement and the work that's gone into developing quite a new process there.

Perhaps I could just spend a few minutes talking a little bit about the work that went into the development of this new process and some of the significant engagement that the OPA did conduct over the period of a good year or so in working through options for building in more community engagement into this new RFP process. A draft RFP was posted for public comment just earlier this week. It's available on the OPA's website for review.

As the minister indicated, this new competitive procurement process is really intended to ensure that local needs and considerations are taken into account before contracts are offered.

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Following the minister's June 2013 directive, the OPA undertook initial engagement activities, including webinars for all interested stakeholders, targeted webinars for municipalities and aboriginal communities and organizations, and group meetings open to all stakeholders and prospective proponents. As the minister mentioned, these engagement activities were well attended and well received, with over 350 participants providing helpful and valuable feedback.

Taking this feedback into consideration, on August 30, 2013, the OPA submitted to the minister an interim report with recommendations on moving forward with the LRP process. It summarized the results of the research the OPA had been conducting in conjunction with the engagements that had been held in the summer.

Following that, in December 2013, as has been discussed through these discussions to date, the ministry issued the long-term energy plan, which included large renewable procurement principles, technology targets and rollout timelines. In accordance with the long-term energy plan, the first round of the large renewable procurement program includes the following technology-specific targets: 300 megawatts for wind, 140 megawatts of solar, 50 megawatts of bioenergy and 75 megawatts of hydroelectric—that had been updated in 2014 from the 50 megawatts set out in the long-term plan.

On December 16, 2013, the minister directed the OPA to proceed to design and develop the large renewable procurement process, including direction to conduct further outreach with the public, municipalities, the renewable energy sector, First Nation and Métis communities, and the Association of Municipalities of Ontario to gain further input on the specific design elements before reporting back to the minister with some final recommendations for a proposed design.

Following these further engagement activities at the end of February, a final report with recommendations was submitted by the OPA to the minister. The report distilled numerous suggestions and recommendations

made to the OPA during these stakeholder consultations and provided recommendations for both the request for qualifications process as well as the request for proposals stages.

In March 2014, the minister concurred in the OPA's recommendations, subject to some additional direction, and directed the OPA to develop a draft request for qualifications and draft request for proposals for the large renewable procurement process. The purpose of the request for qualifications was to qualify applicants for a request for proposals.

The March 2014 minister's directive stated that qualifications of applicants and their respective project teams should be robust, in order to minimize the risk that projects fail to reach commercial operation. The direction outlined these qualifications, including appropriate financial capacity, appropriate energy development experience or other appropriate experience developing large infrastructure projects and, important to this discussion, experience with engagement with municipalities, experience with regulatory approvals and experience undertaking the procedural aspects of consultation with aboriginal communities that are required in order to support the crown's duty-to-consult obligations.

In April 2014, the OPA posted the draft request for qualifications for review and comment, and on July 14, 2014, a final request for qualifications was posted and opened for submissions until the beginning of September. In conjunction with the final request for qualifications posting, the OPA posted a preliminary request for proposals framework document for public and stakeholder review and comment, also until early September. That framework set out proposed key elements for the large renewable procurement request for proposals.

During this period, the OPA also hosted a public webinar on the request for proposals framework. In addition, ministry and OPA staff met with the Association of Municipalities of Ontario Energy Task Force to discuss the proposed framework. The OPA also held a municipal webinar on September 10 to discuss in particular the community engagement criteria outlined in the framework.

On November 4, 2014, the request for qualifications process concluded with the OPA posting on its website a list of the 42 qualified applicants that were successful in the process. On November 7, the minister gave further direction to the OPA regarding the large renewable procurement request for proposals, including directing the OPA to require applicants to complete mandatory community engagement activities and directing the OPA to establish some rated criteria that reflect a strong emphasis on local community engagement and support, including rated criteria for rigorous engagement activities that may exceed the mandatory requirements, and rated criteria for aboriginal economic participation that reflect the unique circumstances of First Nation and Métis communities.

A draft request for proposals, which reflects the feedback received through the consultation, as well as the

minister's directive, as well as a draft contract were posted on the OPA's website on November 17 for review and comment by stakeholders, municipalities, aboriginal communities and other interested parties. That is available for comment until December 19. All of the feedback received will be considered and is expected to inform the development of the final request for proposals for the large renewable procurement expected to be released in early 2015.

The Chair (Ms. Cindy Forster): Excuse me, you have one minute left.

Ms. Kaili Sermat-Harding: Okay, so I think that's well-timed, then. Again, just to recap—I don't know if the minister would like to add anything—it's certainly an expectation that we will be seeing cost-efficient and well-supported projects coming forward in the process.

Hon. Bob Chiarelli: I just want to underline, with respect to municipal engagement, I went to AMO on a number of occasions and we had a very frank discussion about what would be an acceptable level of consultation and what form that consultation will take. I know that our senior people on an ongoing basis work very, very closely with the Association of Municipalities of Ontario.

So we have a very significant confidence level that we have a very positive program moving forward. We have a lot more interest now, in fact, in municipalities engaging for their own purposes, in terms of partnering or working out arrangements so that the municipality can get benefits out of large renewable projects moving forward.

With that, I guess I must have run out of time by now.

The Chair (Ms. Cindy Forster): You have. Thank you, Minister.

We'll turn it over to the official opposition. Mr. Yakabuski.

Mr. John Yakabuski: Thank you, Minister—I mean, Assistant Deputy Minister Kaili for—

Hon. Bob Chiarelli: It's very easy to make that mistake, because I know Serge does his job so well that any of the ADMs, just by a process of osmosis, become as efficient as any deputy in the system.

Mr. John Yakabuski: Were you a science teacher? Can you explain osmosis? On your time, not mine.

Anyway—

Hon. Bob Chiarelli: I still want the opportunity to spell "conservation."

Mr. John Yakabuski: Okay. I'll arrange a briefing for you, Minister. Don't worry about that.

I just want to pick up on what Ms. Kiwala was talking about, the siting process and the municipal engagement. It's funny that we have this Liberal view, and you know I'm not a partisan, that somehow everything that can be done to engage the municipalities and communities—I don't know how many times I've heard the word "consultation," but I've heard it enough that I can almost spell it now. Consultation, consultation—I hear it ad infinitum, that you guys are into this consultation about siting of wind turbines—

Mr. Bob Delaney: Can you spell "infinitum"?

Mr. John Yakabuski: Just give me a chance there. Give me a pen and paper and I'll figure it out, Bob.

But when you talk to the communities, it's like they're living in two different worlds. I don't know what you guys consider consultation. I think that it's somebody drives by in a van with the Ontario logo on it and waves a placard, "We're here to talk," and that's it. Because all across Ontario you keep hearing, over and over again, "No, we don't want these monstrosities in our community," and every time I turn around, they keep getting approved. It's like it's a tilted playing field. They can't win their appeals. I mean, there's just one that started up in Pontypool there the other day—the Cham Shan Temple, the Hindu temple there up in Pontypool—

Mr. Han Dong: It's a Buddhist temple.

Mr. John Yakabuski: Pardon me, a Buddhist temple. Thank you, Mr. Dong. I get my religions right at the appropriate time. It's the same thing as transparency; you understand that.

So there's this Buddhist temple that fought against having wind turbines. There's a good chance they may not go ahead with building their temple. Yet your ministry and the government and the Premier just close their ears and are not interested in any of that, like those six turbines or whatever are going to make the difference in Ontario's power picture.

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But there has been no community engagement, and when you talk about that, it actually irritates me. It gets the hair on my neck bristling, because it is absolutely counter to what we're hearing out there. You can call anything you want consultation. A five-minute conversation could be considered consultation. But there's no meaningful consultation on that issue whatsoever, and you're just basically running roughshod over the people. But I have no question in that regard; I'm just making a statement.

Hon. Bob Chiarelli: I have an answer.

Mr. John Yakabuski: I'm sure you do. But we're going to move on to something else right now. I want to talk about the LEAP program, the Low-Income Energy Assistance Program.

My county, Renfrew county, is a low-income county. Other than a couple of federal installations—one being AECL, the other being Garrison Petawawa—we depend on pretty basic employment, a lot forestry and stuff like that, and tourism. There are not a lot of high-income earners, so my office is inundated with requests for people to get some assistance on their hydro bills.

When you came to power, Minister—not when you came to power personally, because I know you weren't here in 2003, but when your party came into power in 2003, electricity was 4.3 cents a kilowatt hour. It has now more than tripled. At the peak, what is it now, 14 cents a kilowatt hour, under the system today, from 4.3 cents?

We've got a lot of low-income people, low-income seniors. They don't have gold-plated pensions from the government or anything like that, and they're struggling terribly. So my office is inundated with requests to help

them through their winter. Michael was just telling me that it's getting awful out there right now, even here in Toronto, so you can imagine what it's like up in Renfrew county. In fact, I was talking to my wife this morning, and she said we've got about six or seven inches of snow up there and it was blowing like crazy last night.

I'm not looking for any help on my hydro bill yet, but I'll let you know. But we do have a lot of people in the county who do.

Hon. Bob Chiarelli: You're getting it, even though you're not asking for it.

Mr. John Yakabuski: No, I'm not getting it. But anyway, now your rates are going up, by your own admission, 42% in the next five years.

The LEAP program ran out of money last year, but it didn't run out of money everywhere. For example, in Toronto there was a \$460,000 surplus. Now, why couldn't that money be redistributed to the places where—I mean, we're calling the Lions Club. We're calling the Rotary club. We're calling Kiwanis and the Civitan: "Can you help so-and-so out with their hydro bill this winter?" That really shouldn't be the work of an MPP's office, but that's what we do because we're there to help. But we're doing that because you guys have put people so much behind the eight ball with your energy decisions.

Then you've got the Ontario Clean Energy Benefit, which you have scheduled to cancel by December 31, 2015. Is that still the plan, to cancel the Ontario Clean Energy Benefit by December 31, 2015?

Hon. Bob Chiarelli: It is our plan. It also was the intention of your government to cancel it immediately, if you got elected, in 2012, but that—

Mr. John Yakabuski: I'm sorry to inform you, because it really hurts, but we didn't get elected. I'm really asking you about the estimates of your party.

Hon. Bob Chiarelli: I'm not sorry you didn't get elected, but anyway—

Mr. John Yakabuski: I'm sure you're not. See, there's another thing we disagree on.

Hon. Bob Chiarelli: But I want to tell you, you advocated on an ongoing basis to get rid of the clean energy benefit.

Mr. John Yakabuski: We can't go into all of our energy policy, because we had other things that would have compensated for that, Minister.

But I'm just asking you: So you plan to get rid of it December 31, 2015?

Hon. Bob Chiarelli: And replace it with other programs to benefit consumers—

Mr. John Yakabuski: Okay. Now, can you tell me what those programs are? Because the people out there are worried.

Hon. Bob Chiarelli: The program that was in our budget, that you would have voted against if you had the opportunity to vote against it, had a provision in it—

Mr. John Yakabuski: You're so political.

Hon. Bob Chiarelli: —for the Ontario Electricity Support Program for low- to modest-income families that

would save them \$180 a year off their bills, for low- and medium-income people, and that would have—

Mr. John Yakabuski: What do you define as low- and medium-income people?

Hon. Bob Chiarelli: Well, that's at the OEB now. They're going through the demographics to try to give us the answer, and then we will be bringing that legislation forward as soon as we get the answers from the OEB.

Mr. John Yakabuski: Would your deputy or any of the ADMs be in those categories?

Hon. Bob Chiarelli: We also are removing the debt retirement charge from the bill, I think three years earlier than originally planned, that would provide \$70—

Mr. John Yakabuski: And five years earlier than you should have.

Hon. Bob Chiarelli: —per year on their hydro bills.

Mr. John Yakabuski: Or later—five years later than you should have.

Hon. Bob Chiarelli: So between the \$70 coming off from the debt retirement charge and the predicted \$180, they would be saving \$250 a year when those are both implemented.

We would probably be very close to implementing those if we hadn't had to go through the election, which unfortunately was forced upon us.

Mr. John Yakabuski: So you're telling me that you're going to replace the Ontario Clean Energy Benefit with something that will be equally beneficial to low- and middle-income Ontario families?

Hon. Bob Chiarelli: It will be lower or better—yes, it will be better than what we have.

Mr. John Yakabuski: It will be better, so—

Hon. Bob Chiarelli: The combination of the debt retirement charge coming off and the new low- to modest-income family provision—

Mr. John Yakabuski: So if you know the details, why can't you give them to me? If you know that it's going to be better, why can't you just give me those details?

Hon. Bob Chiarelli: I'm giving you them now.

Mr. John Yakabuski: No. You're just saying that the OEB is dealing with it right now.

Hon. Bob Chiarelli: No.

Mr. John Yakabuski: So give me the numbers. What's it going to mean?

Hon. Bob Chiarelli: It's going to be \$180 and \$70 for both of those combined. What the OEB is working on—

Mr. John Yakabuski: And what will that mean in total cost? Because if you know what each family is going to get, if you know the total cost, then you must know where those guidelines are, what's low income and what's medium income, because you need to balance that out.

Hon. Bob Chiarelli: The OEB is looking at the demographics of the ratepayers to decide what would be an appropriate—

Mr. John Yakabuski: I understand that, but wherever they level that, that's going to determine, then, what your final costs are going to be. Because if they set those bars low, you are going to have fewer people getting that

benefit; if they set it higher, you're going to have more people getting that benefit. You said that it's in your budget; you must have budgeted. What did you budget?

Hon. Bob Chiarelli: What is flexible in fact is where the cut-off will be to describe them as low etc.

Mr. John Yakabuski: I understand that. Wherever that cut-off comes is going to determine how much money you're going to be required to spend.

Hon. Bob Chiarelli: The deputy will explain how those assumptions work.

Mr. Serge Imbrogno: The Ontario Clean Energy Benefit right now isn't income-based, so whether you make \$200,000 or \$20,000, you still get the 10% credit. So going forward with the Ontario Electricity Support Program that the OEB is now consulting on, it will be more geared towards lower-income families, lower-income individuals. The cost of that program will be paid for within the rate base, so it's—

Mr. John Yakabuski: But the Ontario Clean Energy Benefit, you only get it on a certain portion of your bill.

Mr. Serge Imbrogno: It's 3,000 kilowatt hours per month, but most households don't use that much, so almost every household would get it, small business—

Mr. John Yakabuski: Is there going to be a ceiling on the amount of energy used on the new program?

Mr. Serge Imbrogno: That's something the OEB is looking at, so the minister directed the OEB to consult, to come back with design features for the program. So the numbers the minister is providing you is just taking a certain threshold and providing those numbers. The OEB could come back with higher numbers than that or change the program. The intent is to help low- and moderate-income families.

Mr. John Yakabuski: Okay. So under the LEAP program last year, or for 2012—that's the latest data I have—the ministry gave out 8,053 grants, an average of \$452, a total of \$3,946,000—some-odd, with another \$700,000 unclaimed. So while it makes it sound like you had dedicated more money than necessary to the program, there are 11 distributors that ran out of their funding by April. So how come certain areas are getting too much while others are getting, or got, way too little? I know areas that ran out of money for LEAP, yet you had four hundred and some thousand dollars still sitting, in the city of Toronto.

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Who would make the decision that you couldn't pass that money on? You budgeted it. Who would make the decision that you couldn't pass that money on to those who needed it most? Who came up with the figures and the estimates in the first place, that Toronto was going to need \$460,000 more than they actually needed?

Mr. Serge Imbrogno: I could get you more details, but my understanding is that it is based on per LDC—I think it's up to \$600 annually. So I think when you run those numbers, you get a certain allocation by each local distribution company. But I need to give you more details on that. That's what I have right now.

Mr. John Yakabuski: Six hundred dollars per customer?

Mr. Serge Imbrogno: Annually.

Mr. John Yakabuski: What's \$600—

Mr. Serge Imbrogno: I believe it's per family that's eligible.

Mr. John Yakabuski: Six hundred dollars per family for each LDC.

Mr. Serge Imbrogno: Well, there's an allocation—

Mr. John Yakabuski: But if you live in a condominium in Toronto, you're not going to use as much as power as a free-standing home on the plains up in Petawawa, where the wind is blowing fiercely and you're facing the elements 12 months a year on four bare walls. You can't use the same figures for that type—how does that make any sense? Who comes up with this idea?

Mr. Serge Imbrogno: I need to give you more details, because I don't have the exact information about how the calculation is made. It's more based on emergency funding. It's not meant to be—

Mr. John Yakabuski: In the future, is the plan to make this more flexible so that when you're getting to a certain point and the money has run out—the cupboard's bare somewhere, but you've got a surplus somewhere else that somebody can actually use common sense and say, "We've got a problem. There are vulnerable people who cannot pay their hydro bills, and we've got a whole pot of money sitting here." Is there not somebody who can make that call? Is that up to the minister? Is that an order in cabinet? An order in council? What is it?

Mr. Serge Imbrogno: I think the intent of the program that we have the OEB looking at is to address issues of low-income and moderate-income families.

Mr. John Yakabuski: But it failed. It failed.

Mr. Serge Imbrogno: No. The new—going forward. I think Michael has some details on LEAP that might help.

Mr. John Yakabuski: Michael—

Mr. Serge Imbrogno: Michael Reid is the assistant deputy minister—

Mr. John Yakabuski: —Michael Reid, strategic, network and agency policy.

Mr. Michael Reid: It's a long name.

Mr. John Yakabuski: That's a long name.

Mr. Michael Reid: I guess the only thing that I wanted to add is that the minister and the deputy have talked about the OEB doing consultation and designing for the Ontario Electricity Support Program. At the same time, the OEB is also reviewing the LEAP program as well, so—

Mr. John Yakabuski: But the OEB doesn't decide how much money is going into it; you guys do.

Mr. Michael Reid: No, the OEB was asked by the government to develop a program, but it was an OEB-developed program. So the way it works is, there's a certain threshold that each distributor is required to set aside in terms of the revenue requirements. That becomes the pool of money that each distributor has—

Mr. John Yakabuski: So are you saying the OEB screwed up?

Mr. Michael Reid: No, I'm saying they—

Mr. John Yakabuski: So who, in the end, is responsible for a situation where you've got \$700,000 unclaimed when so many people were unable to access the program?

The Chair (Ms. Cindy Forster): You have about two minutes.

Hon. Bob Chiarelli: It's by utility.

Mr. Michael Reid: Yes, it is designed by utility, and, as I said, the OEB is also, as part of their low-income strategy, looking at the LEAP program as well and will come back with recommendations if there are program improvements. They're currently consulting on that and we'll come back with that.

Mr. John Yakabuski: So are you bringing a program to a new program? Or is there a redo of LEAP? In the fall economic statement, there was a report requiring the Ontario Energy Board to report back to the ministry on electricity support programs specifically designed for low-income Ontarians. Has it been started? If so—because we're told that it is done, in the fall economic statement—will you commit to releasing that publicly by December 1?

Hon. Bob Chiarelli: Could you repeat again what the economic statement said, please?

Mr. John Yakabuski: I don't have the economic statement in front of me, but it was mentioned in the economic statement that that report has been done and it's going to be given to you on December 1. Will you release it on December 1?

Hon. Bob Chiarelli: I'm not aware that it's ready at this particular point, but I'm not aware that the economic statement specifically said that as well. I'm happy to respond to whatever the wording is in the economic statement.

Mr. John Yakabuski: So if you receive that report, you will release it immediately? When you receive that report, obviously you have to read it, but you will release it as soon as reasonably possible?

Hon. Bob Chiarelli: We'll release it in a reasonable period of time, quite frankly.

Mr. John Yakabuski: Okay. How much time do I have left?

The Chair (Ms. Cindy Forster): You're done. Thirty seconds.

Mr. John Yakabuski: Oh. Well, thank you very much, Minister. We'll see you next week.

Hon. Bob Chiarelli: Okay.

The Chair (Ms. Cindy Forster): Mr. Tabuns, you've got about 15 of your 20-minute rotation.

Mr. Peter Tabuns: Thank you, Chair. Minister, going back to Bruce Power briefly, should be there overruns in the course of refurbishing those six reactors, will the overrun costs be entirely the responsibility of Bruce Power?

Hon. Bob Chiarelli: First of all, I want to say that in the last Bruce Power refurbishments, there were cost overruns.

Mr. Peter Tabuns: Yes.

Hon. Bob Chiarelli: Bruce Power had to assume that risk and cover that cost. My understanding is that there are similar provisions that are being negotiated into the extension of the agreement with Bruce Power.

I'm going to ask the deputy to comment on that as well.

Mr. Serge Imbrogno: In the previous agreement, the cost overrun was \$2 billion, which Bruce Power would have picked up. It was \$3 billion—\$5 billion to actually do it, so the \$2 billion extra was Bruce Power.

Mr. Peter Tabuns: I'm sorry. If you could be a bit louder. I've got noisy neighbours.

Mr. Serge Imbrogno: I'm just saying that the number previously was—a cost of \$5 billion. Ratepayers' exposure was \$3 billion. So the \$2 billion was for Bruce Power and its shareholders.

Going forward, I think what the OPA has been directed to do through the long-term energy plan is to minimize the risk going forward for the ratepayer. So it's likely you'd pay a price X for that power and it would be up to Bruce Power and its consortia to deliver that power at that price. If they can't, then it's to their risk. That's how the negotiations—

Mr. Peter Tabuns: So all the risk is being transferred to Bruce Power, you're saying to me? They're being told what price they'll be paid and—

Mr. Serge Imbrogno: That'll be part of the negotiation, to figure out what is that appropriate price, and then once it's set—

Hon. Bob Chiarelli: There'll be a power purchase price, and they've got to deliver the product regardless of whether—they've got to meet that price. So if they go higher, then they still get paid the same price. We're not covering that off.

Mr. Peter Tabuns: So that's the directive you've given—

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: —that 100% of the risk is taken by Bruce?

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: Okay. Moving on from Bruce for the moment, over the last decade, there have been numerous reports that have recommended that the province assess the vulnerability of the transmission and distribution system to extreme weather events, given that the planet's getting hotter. I've asked previous ministers about this. What is the status of assessment of vulnerability of our electricity system to extreme climate?

Hon. Bob Chiarelli: First of all, I want to say that there are North American associations, NERC and FERC, that work with the various operating systems in North America. Particularly since Hurricane Sandy, they have determined that the key highest risk factors in the electricity sector in North America are extreme weather events and cybersecurity. So there is a collective movement, if I can put it that way, in North America to put a lot of effort into those areas.

I can't say specifically at this particular point what changes have occurred, but I know that these two issues are uppermost on the agendas of OPG and Hydro One.

Mr. Peter Tabuns: I appreciate that—

Mr. Serge Imbrogno: If I could just add that we have been working closely with our agencies on climate change.

Mr. Peter Tabuns: Yes.

Mr. Serge Imbrogno: We can go through what we've been discussing with each of them and what actions they're taking, if you want more detail on that.

Mr. Peter Tabuns: I would like the highlights, what's been assessed, what vulnerabilities have been—

Mr. Serge Imbrogno: I could ask Michael Reid to come up, because he's been working—

Mr. Peter Tabuns: That would be great.

Mr. Serge Imbrogno: —on the climate change adaptation and the work that we've done with all the agencies. So we have the IESO, Hydro One, OEB, Ontario Power Authority and OPG—we can take you through what we've done there. Also within the ministry, within the government, we've put also together a team that's cross-cutting as well to address the issues. So we can maybe give you a flavour of what the agencies have been doing and what the ministry has been doing.

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Mr. Peter Tabuns: Before Michael speaks to this, have you put together a report on what's been done? Is there an electronic or hardcopy of a report that looks at what our vulnerabilities are and what the plan is to take care of them?

Mr. Serge Imbrogno: I think each of the agencies has probably crafted—I know OPG has done something on sustainability, but I'll let Michael maybe address whether there are actual reports from each of the agencies.

Mr. Peter Tabuns: Okay.

Mr. Michael Reid: I can give you a bit of a flavour, maybe agency by agency, in terms of some of the things that they're up to.

Mr. Peter Tabuns: Yes, please.

Mr. Michael Reid: With the Independent Electricity System Operator, for example, weather forecasting has been a big area of focus to make sure that they are prepared to understand and plan for significant or severe weather events that could impact the system and then trigger all of the plans and whatnot to make sure that the system is ready for these severe weather events. That also involves regular tests of the ability of the grid to withstand these severe weather events, to also scope out where there may be possible areas for improvement.

They also work to establish different planning scenarios over, usually, say an 18-month framework, again to assess the reliability and resilience of the grid to respond to severe weather events. Then they also develop and regularly review sector-wide plans for emergency preparedness, as well as power system restoration in the event of severe weather events. So that gives you a bit of a flavour for some of the things that the Independent Electricity System Operator has focused on.

Mr. Peter Tabuns: Okay.

Mr. Michael Reid: Hydro One—a wide range of different sorts of things that they're up to in terms of

climate change adaptation as well. For example, in terms of technology and innovation, Hydro One is researching new technologies—and I think they're fairly advanced, actually, in terms of being leaders in this—that will allow the ability of infrastructure, their transmission and distribution infrastructure, for example, to shed water or ice in the event of severe rain or ice storm-type events.

They're also continuing the enhancing and streamlining of their emergency response procedures in the event of severe weather events. That includes training their staff to make sure that they're ready to respond. They also have shown themselves to be ready to help out other local distribution companies and, even in the US, respond to some severe weather events through some of this training and whatnot.

Also, we talked a little bit about, say, smart grid technologies in some of the earlier meetings as well. Hydro One is also using some of the last-gasp capability of the smart meters. That's the idea of, you can use smart meters to understand where outages are, so again, it allows you to dispatch crews much more quickly to actually respond to severe weather and where outages are, as opposed to having to rely on people to call in and let you know where they are. They can dispatch crews much more efficiently. So that gives you a bit of a flavour of some of the things that Hydro One is up to.

Mr. Peter Tabuns: Just before you go further, when we had severe rainstorms in 2013 in the GTA, the Manby station, as I understand it, flooded out. It took a while to restore it because it had to be pumped out. Has there been an assessment done of major assets and their vulnerability? Do we have other underground transformers that are vulnerable to flood? Has that issue been addressed?

Mr. Serge Imbrogno: I think Hydro One would look at that. I think part of the issue there is that you could have transformers above ground which are vulnerable and those that are below. You'd have a trade-off between which is better, which is safer. I think Hydro One would have done that assessment.

Hon. Bob Chiarelli: I can recall discussions in which they said that they're taking steps, moving forward. I can't remember the details in terms of how they construct in the future and what mitigation measures can be made with existing infrastructure. I have a recollection and we can get back to you on that.

Mr. Peter Tabuns: I would appreciate that, because, to my knowledge, what has previously been recommended by numerous panels, some of which have been directly commissioned by the government, is an inventory of vulnerabilities and a plan for addressing them. You and I both, Minister, have families and friends that depend on that system. I had to go and deal with my constituents during the ice storm who were stranded at the top of high-rises. The idea that they could be denied electricity for days and weeks poses pretty profound risks for them.

I appreciate what you've said. What I haven't heard is a cataloguing of vulnerabilities and a plan to address them on a systematic basis. Did I miss something?

Mr. Serge Imbrogno: Maybe we should go on and—

Mr. Peter Tabuns: Well, with Hydro One it looks like they're looking at some aspects, but I don't hear what sounds like a plan.

Mr. Serge Imbrogno: There's also the OEB, OPG and then—

Mr. Peter Tabuns: I'd like to hear that as well, but I'd just say that, with Hydro One, I can see where they may want to ensure that lines are rain- and ice-resistant. I think that's a good thing, but it doesn't sound like a catalogue of weak points in the system and a plan to address them.

Hon. Bob Chiarelli: I'll see if I can arrange a briefing for you from Hydro One particularly on those issues.

Mr. Peter Tabuns: Minister, I'd appreciate that.

Could we go on to OPG then?

Mr. Michael Reid: Yes. I may also—I think it picks up on some of the issues that you're raising in terms of the Ontario Energy Board. They also have a role to play in terms of climate change adaptation. For example, the Ontario Energy Board, in terms of the distributors it regulates, expects and asks them to do a lot of this resiliency planning as well as part of their regular filings with the Ontario Energy Board and considers scenarios such as extreme weather and restoration protocols and those types of things, again as part of their regular filing requirements.

As well, in terms of their regional infrastructure planning requirements again that are outlined as part of the OEB process, they also expect that as distributors and transmitters work together in the development of these plans going forward, the long-term system needs, including resiliency and adaptation, are also part of those planning processes. So those take place throughout the entire province and—

Mr. Peter Tabuns: And OPG?

Mr. Michael Reid: In terms of Ontario Power Generation, again they're involved in a variety of different

initiatives. For example, they're involved in research with the Centre for Energy Advancement through Technological Innovation—big name—and that's to focus specifically on river systems and weather and how climate change may end up affecting the performance of some of their hydroelectric facilities. In terms of their nuclear station designs as well, it's something that obviously is top of mind in terms of ensuring designs are robust enough to adapt to climate change and severe weather.

Then, on sort of the asset management side of things as well: looking at all their assets, including things like the structural integrities of dams for issues of flooding, for example, that could happen around dams. That is, again, modelling those types of things to make sure that their infrastructure is prepared for those types of severe weather events and can prevent some of those issues such as flooding.

I think as the deputy has also mentioned, we have been in regular contact with the agencies to talk about these issues in terms of climate change adaptation and what they're up to, including a lot of these international groups that they're part of, to share some of the learnings that they're getting from some of those groups.

Mr. Peter Tabuns: Can you tell us—

The Chair (Ms. Cindy Forster): Peter, really, we've run out of time. You'll have the rest of your time next Tuesday, five minutes.

Interjection.

The Chair (Ms. Cindy Forster): Five minutes left, yes. So we'll be meeting again next Tuesday morning. We have two minutes and 48—two hours and 48 minutes.

Interjections.

The Chair (Ms. Cindy Forster): Yes, 48 more hours. We have two hours and 48 minutes left on the energy estimates. Thank you.

The committee adjourned at 1800.

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**Standing Committee on
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 25 November 2014

Mardi 25 novembre 2014

The committee met at 0900 in room 151.

MINISTRY OF ENERGY

The Chair (Ms. Cindy Forster): Good morning, members. We're here to resume consideration of estimates of the Ministry of Energy. There are two hours and 48 minutes remaining.

But before we resume the consideration of the estimates of the Ministry of Energy, if there are any inquiries from the previous meeting that the ministry or the minister has responses to, perhaps the information can be distributed by the Clerk at the beginning in order to assist members with any further questions. Are there any items, Minister?

Hon. Bob Chiarelli: Not that I'm aware of.

The Chair (Ms. Cindy Forster): Okay. When the committee adjourned last week, the third party, Mr. Tabuns, had five minutes remaining in its 20-minute rotation, so I turn the floor over to you.

Mr. Peter Tabuns: Thank you, Chair. Good morning, Minister.

Hon. Bob Chiarelli: Good morning.

Mr. Peter Tabuns: Last week, I had asked you about the Electricity Distributors Association proposal with regard to local distribution companies and Hydro One in particular, and you referenced that the material was available on the Web. Maybe my search skills are poor, but I couldn't find it. Could we have that site or that link so that we can read their proposal?

Hon. Bob Chiarelli: I can't recall saying it was on any particular site. I had indicated that it was public, that they had released it. It was commented on in the media. I don't know. Perhaps you can clarify that, Deputy?

Mr. Serge Imbrogno: I'm not sure if they've posted it on their website, but we can talk to the EDA to provide that material—

Hon. Bob Chiarelli: I'll ask the staff before the session ends this afternoon—there was a proposal from the Electricity Distributors Association with respect to a concept of acquiring Hydro One distribution. There was also a response from the ministry, myself. If we can have those two letters made available to the committee—if we can do that. Thank you.

Mr. Peter Tabuns: I appreciate that, Minister, because when you were speaking previously, you had said that you'd received correspondence and you responded to them.

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: So if we could have that today, that would be great. I have to say that I haven't been able to find any detail in not the deepest Google search the world has ever seen, but you know, a few passes through and I couldn't find anything.

Hon. Bob Chiarelli: Yes, okay.

Mr. Peter Tabuns: So that would help tremendously.

Then the other question—where I left off last week, and the Chair correctly said, “You're out of time”—the OEB and the Energy East pipeline: Did you make a request to the OEB or give them a direction to examine the Energy East pipeline and its implications for Ontario?

Hon. Bob Chiarelli: Yes. As minister, I used a section of the Ontario Energy Board Act, which is similar to the process of a federal or provincial government doing a reference to the Supreme Court. Well, this is like a reference. We basically directed them under a section of the Ontario Energy Board Act to do public consultations with respect to the Energy East process. They actually undertook to do that and they had very, very significant consultations province-wide. Now that the application has actually been filed, they're going to open it up again so that people can respond to the specifics of the application that are there.

It was very broadly participated in across the province. They are basically going to provide a report to the ministry which will inform our intervention at the National Energy Board hearing. As you're aware, this is a federal area of responsibility, and the status of Ontario, Quebec or any other province is simply that we can make interventions. We can be a presenter at the actual hearing. We can present written documents and we have an opportunity to participate in the hearing. We have no decision-making process at all in that.

Mr. Peter Tabuns: And you recognize that the National Energy Board isn't charged with actually looking at the environmental implications of any particular project? Much of that power has been stripped away by the federal government in the last few years.

Hon. Bob Chiarelli: We are being very attentive to all of the submissions that we have received from our stakeholders. They're across the whole sector: environmental, labour, First Nations etc. And—

Mr. Peter Tabuns: No, I accept that, but—

The Chair (Ms. Cindy Forster): One minute.

Hon. Bob Chiarelli: You may be aware that there was a joint cabinet meeting—

Mr. Peter Tabuns: No, I'm well aware of that.

Hon. Bob Chiarelli: —and joint statements were made by the two Premiers that—

Mr. Peter Tabuns: And you're aware the NEB doesn't look at the environmental implications of it?

Hon. Bob Chiarelli: Climate change will be taken into account in our engagement.

Mr. Peter Tabuns: And will the NEB do that?

Hon. Bob Chiarelli: Sorry?

Mr. Peter Tabuns: Will the NEB take into account climate change implications?

Hon. Bob Chiarelli: I can't predict what they're going to do, but I can predict that they're going to try to eliminate it because that's the policy that they've created.

Mr. Peter Tabuns: Eliminate it as an issue?

Hon. Bob Chiarelli: They have created that. It's an issue now, quite frankly.

The Chair (Ms. Cindy Forster): Mr. Tabuns, you have 30 seconds to wrap up, and then we're moving on.

Mr. Peter Tabuns: I look forward to getting the information on the EDA this afternoon. Thank you.

The Chair (Ms. Cindy Forster): Thank you. Government members? Mr. Delaney.

Mr. Bob Delaney: Thank you very much, Chair. Minister, I'm going to start off this morning with a clarification question. Last Friday, at the Pickering nuclear station, while one of the reactors had been shut down for planned maintenance, there were some staff working on it when a leak of heavy water occurred when a valve was opened. Would you like to update the committee on that incident and the events arising from it?

Hon. Bob Chiarelli: Yes, we'll do that. The protocol is that OPG is required under those circumstances to notify the Canadian Nuclear Safety Commission and the local municipalities, and they have done so. But I do have with me the chief nuclear officer of Ontario Power Generation responsible for the nuclear plants, Darlington and Pickering, Paul Pasquet. He's here, and I really think it's important that he have an opportunity to explain the circumstances around that incident and the outcome. So I'd ask Paul to come forward.

Mr. Paul Pasquet: Thank you. Good morning. My name is Paul Pasquet. As indicated, I'm the chief nuclear officer for Ontario Power Generation. I'll just give you a little bit of background. I have 34 years of operating experience at both Pickering and Darlington, basically involved in operations and maintenance of that facility. It's good to have an opportunity to come and clarify what in fact transpired last week.

First off, I just want to clarify a couple of things. I'll give you a brief synopsis of what transpired and then provide a little bit of clarification so that we're clear on what transpired.

The first thing I'd like to state is that at no time were the public or the employees at risk during the course of this occurrence. The plant, in fact, is designed to be able to accommodate the occurrence that occurred on Friday. As you indicated, unit 7 was shut down. The heat transport system was cold. The reactor was in what we refer to

as a "guaranteed shutdown state," which basically means that the reactor can't operate. Specifically, the plant was in a maintenance shutdown to carry out a series of planned maintenance, and has been shut down for approximately a month and a half.

As you indicated, the operating staff basically noticed that some heavy water was being lost out of the system pipework. Now, you referred to a valve being opened. Specifically what happened was that the valve had been removed for maintenance. So, physically, they were in the process of replacing a valve and the water that came out of the system came out through that valve that had been removed for replacement. The operating staff did notice the loss of heavy water inventory. They appropriately responded. Actions were taken to isolate the leak and clean up the water.

In the course of that, the shift manager, who is the individual who's accountable for the safe operation of the unit at any given time, decided that in order to account for staff, he would call an alert. The alert was carried out, staff were accounted for, and then, subsequently, in order to get a little bit of additional support—because there happened to be a lot of activity going on that particular day at the plant—he then basically declared a station emergency. What that allows the shift manager to do is to get the full suite of resources of the station to come and support him, both in responding to this issue and also to get resources to do notifications etc. The alert was declared. People basically came to site. The leak was promptly isolated, and the water was then subsequently cleaned up.

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The reactor building itself is designed to accommodate water coming out of the pipework. At no time did any of that heavy water leave the reactor building. It was all contained within the reactor building, and it is, in fact, designed to do that. So, as I say, the leak was cleaned up and subsequently there was a stand-down from the emergency that was declared.

We do make a series of notifications. We notify promptly the Canadian Nuclear Safety Commission, which is the nuclear regulator. We notified the Ministry of Energy. We notified the community, the mayor, the regional chair. We notified, as part of the protocols for this particular issue, DEMO and EMO. So extensive notifications were made on the night that this occurred.

I just want to reiterate that at no time were the public or the staff at risk in response to this. In fact, the operating staff did a very good job of responding to this particular issue.

Mr. Bob Delaney: I understand that the volume of heavy water that leaked was fairly small.

Mr. Paul Pasquet: So to put it in perspective, it was on the order of about five to 10 mega-grams. The mega-gram—if you'd like to put it in perspective, for every mega-gram, it consists of about four drums. So about five mega-grams was leaked. If you multiply four times fives, it's about 20 drums worth of heavy water, which was contained. As I say, it was contained within a room with-

in the reactor building, and none of that water escaped from the reactor building.

Mr. Bob Delaney: Okay.

Hon. Bob Chiarelli: If I can ask a question: From the nuclear safety commission's point of view, what do they deem the status of this at this point?

Mr. Paul Pasquet: Thank you. In fact, the Canadian Nuclear Safety Commission has reviewed the actions that took place, and basically they were satisfied that safety was not compromised. In fact, if you go on to their website, you can actually see the comment that was made with regard to the appropriateness of the action that was taken.

Mr. Bob Delaney: Okay. I have to say that in all the years I've served on estimates, that's the first time I've ever heard a minister ask a question in estimates.

Mr. Bob Delaney: I think Ms. McGarry has—

Mr. John Yakabuski: Somebody's got to be the first.

Mr. Bob Delaney: Just for you, John. Just for you.

Hon. Bob Chiarelli: I'm happy to create a few more firsts, if I have the opportunity.

Mr. Bob Delaney: I think Ms. McGarry has a question.

The Chair (Ms. Cindy Forster): Ms. McGarry?

Mrs. Kathryn McGarry: Good morning, Minister, and thank you for the opportunity to be able to discuss these important issues for Ontarians.

Phasing out coal generation in Ontario is what I think, and what many think, is one of our government's biggest achievements. I have to say that even in my own riding, there were some who doubted that our government could actually meet the 2014 date to achieve the closure of all the coal-fired generation plants. I heard a fair bit about it going door-to-door in this past spring.

I'm very proud of that, because I think that—as a nurse, I think, and we all think, that one of the biggest benefits of closing the coal-fired generation plants was to our health care system. I think many have sort of missed the point that when you have really dirty air, it costs us all big time.

I can sort of go back through the three decades that I've been nursing and recall on smog days in the summer, where there was that yellow haze around, that the emerg departments, and indeed, then, the intensive care units and our hospital wards, were full of patients with lung health issues. Lung health issues cost our health care system a huge amount.

It's interesting that as we've been phasing these out, I've been working not only in the emerg and the intensive care unit, but concurrently held a job in home care. So I could note, in the last few summers with way fewer smog days, we had far fewer admissions, not only to the emergency department but to home care, because when a smog day would occur, we emerg nurses would say, "Oh, we're going to get that influx today," and we would. We would have patient after patient into the emerg department with shortness of breath, and some of them needed to be admitted. Some of them needed an all-day treatment in emerg before they were sent home. It wasn't just

adults. These were our children, too, with asthma and breathing issues, pneumonias. It just seemed to be that on those smog days, caused a lot because of our coal-generated plants, that would affect their health immensely. So we're looking at a \$4-billion saving in health care costs that I see already happening because of that.

When we're looking at the benefit to all of us for phasing out coal generation, some of the critics have been saying that this phase-out was only achieved with the expanded use of nuclear and gas-fired generation sources. They also claimed that Ontario's investment in renewable energy sources has not contributed to getting the province off coal.

And one other aside: I have a nurse friend who lives in Kincardine, and she can actually see the top of about three or four of the windmills in Ripley. In her area, there are quite a few who don't want the windmills nearby. But she tells them, as an emerg nurse in the Kincardine hospital, that she sees the windmills as clean energy sources that are actually keeping patients out of the emergency department. So she's very pro looking at the issue of clean air versus dirty air.

Constituents in my riding are still asking me occasionally whether it is true that the renewable energy sources have contributed to getting our province off coal or not.

Hon. Bob Chiarelli: First of all, for those who are paying attention, they would know that renewable energy is a worldwide phenomenon. Every continent and most significantly advanced economies are engaging in renewable energy—and sub-jurisdictions as well. For example, some members of the opposition might not be aware of the fact that, at this point in time, Alberta is generating more wind energy than Ontario. That's oil-and-gas country. That's oil-and-gas country, and you might ask the question, "Why are they doing it?" But you're right: This is a matter of health, and clean energy relates directly to health care and also to environmental costs.

Certainly Ontario is committed to investing in a clean, modern, and reliable electricity system that reduces greenhouse gas emissions and provides cleaner air for this and future generations of Ontarians. To date, Ontario has more than 18,500 megawatts of renewable energy on line, or announced, which includes more than 9,000 megawatts of hydroelectric capacity and more than 9,500 megawatts of solar, wind and bioenergy capacity.

In 2003, Ontario had 15 megawatts of wind capacity generated by 10 wind turbines. We now have over 2,300 megawatts of clean wind power, generated by over 1,200 wind turbines, enough power to meet the annual needs of more than 600,000 homes. In 2012, more electricity was generated using wind power than coal, for the first time ever. That makes for a cleaner, healthier Ontario.

Ontario has made significant progress in reducing greenhouse gas emissions from the energy sector through actions that include phasing out coal-fired electricity generation and shifting our energy supply to cleaner, non-emitting energy sources.

As indicated in the 2013 long-term energy plan, emissions from Ontario's electricity sector are expected

to remain at historically low levels, largely because of reduced emissions attributable to Ontario phasing out coal-fired electricity generation.

Ten years ago, Ontario relied on dirty coal for 25% of its energy, and the Conservative government of the time was dramatically increasing—they had increased it by, I think, 127% up to that point in time. Ontario is now completely coal-free, and that's like taking seven million cars off Ontario's roads. This is the single biggest climate change initiative in North America. Coal use had accounted for \$4.4 billion per year in health, financial, and environmental costs.

I'm actually going to go off my notes here, and give some personal experience that I had. First of all, when I was mayor of the city of Ottawa, I often got invited—probably two times, three times a month, I would go into grade 5 classes, who do a unit on government. And I usually have a question-and-answer period with them, and very often they're very, very informed on environmental issues. About two years ago, as the just-appointed Minister of Energy, I went into a grade 5 class in my riding and I did my usual talk and got into the Q&A. I guess they're 10- or 11-year-olds who are in grade 5. A young girl in the class asked me a question about air pollution. I answered it by asking a question, because I've been in grade 5 classes enough to know, and I've also spent about eight or nine years coaching my daughter's hockey team—and I'll connect the two dots in a minute.

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So I answered the question on pollution by asking a question. I said, "How many students in this class"—and I had my staff person with me and he actually counted—"have asthma and need puffers?" And eight out of 17 kids put up their hand, and a 28- or 29-year-old teacher—that I can guess—put up his hand, all suffering from asthma. That's directly related or very significantly related to the air that we breathe, and that's very, very significant.

Similarly, when I was coaching my daughter's hockey team there were always four or five young girls who needed puffers. My daughter was one of them, incidentally. She has been able to get off of them. But the incidence of children's asthma has been declining over the last four or five years very, very significantly, if you look at just the health care costs of that many students on a per capita basis in grade 5 classes across the province, in terms of medical appointments, puffers and all of that—just that one little element. So the reality is—and it has been calculated by a team of medical doctors on their own volition; they were not requested by the province—that \$4.4 billion per year in health, financial and environmental costs is attributable to coal generation in Ontario. That's on an annual basis. So it's extremely, extremely significant.

Before I use up all our time I do want to ask ADM, not DM, Rick Jennings, to come up and fill in some of the gaps that I've left out here.

The Chair (Ms. Cindy Forster): You have about three minutes left.

Hon. Bob Chiarelli: Thank you.

Mr. Rick Jennings: I think this is fairly thoroughly covered, but I'll just go over some points.

Ontario is the first jurisdiction in North America to eliminate coal as a source of electricity production. Replacing coal-fired electricity generation was, as the minister noted, the single largest climate change initiative undertaken in North America. So the reduction was about 35 megatonnes of greenhouse gas emissions. That's the equivalent of what's generated by seven million cars. It has led to a significant reduction in harmful emissions, cleaner air and a healthier environment.

The first coal-fired electricity generating station was placed into service in the 1960s in Ontario. That's the Lakeview generating station. By 2003, when the government was first putting this policy in place, Ontario was getting one quarter of our electricity from coal-fired generation. At that time Ontario had more than 7,500 megawatts of coal-fired electricity generation from five plants, including 215 megawatts at Atikokan, in northwestern Ontario; nearly 2,000 megawatts at Lambton, near Sarnia; nearly 4,000 megawatts from Nanticoke, on Lake Erie; 310 megawatts from Thunder Bay; and about 1,100 megawatts from Lakeview.

The province steadily moved forward with coal closure with the complete shutdown of Lakeview in 2005, incremental progress at Lambton and Nanticoke from 2010-11, before complete closure in 2013 and 2014 respectively. By the end of 2013, coal represented about 2% of total generation. Just this past April, the last piece of coal was burned at the Thunder Bay generating station. Ontario has successfully completed the closure of coal-fired electricity generation.

The Chair (Ms. Cindy Forster): You have one minute.

Mr. Rick Jennings: Coal-fired electricity has been replaced with a mix of refurbished nuclear, renewables and natural gas-fired generation. Following the refurbishment of two units at Bruce Power, Ontario now has about 13,000 megawatts of nuclear capacity online. Last year, nuclear generated nearly 60% of Ontario's electricity. Additionally, Ontario has over 4,200 megawatts of non-hydro renewable—that's wind, solar and bioenergy—online. That's expected to provide about seven terawatt hours, which is one billion kilowatt hours of energy, in 2014. That's about the power that a city twice the size of London would use in one year.

The 205-megawatt Atikokan Generating Station has already completed its conversion to run on biomass and has been generating electricity to the grid since September of this year. It's the largest completely biomass-fired energy generation facility in North America.

The 150-megawatt unit at Thunder Bay is being converted to run on advanced biomass. That, again, would be the largest operating on that fuel—

The Chair (Ms. Cindy Forster): Mr. Jennings, could you just wrap up?

Mr. Rick Jennings: That's it? Okay. I'd just say that those conversion projects make Ontario a leader, and that

by 2013, more than 85% of the power generated in Ontario came from emission-free sources such as water, nuclear and renewables.

The Chair (Ms. Cindy Forster): Thank you. Mr. Hillier?

Mr. Randy Hillier: Thank you very much, and thanks to the minister for being back here today. I guess now everybody in Ontario will be able to get a lump of coal as a souvenir from the Liberals for Christmas.

Mr. John Yakabuski: I get one every year.

Mr. Randy Hillier: That's right.

I want to again keep my questions brief and concise and would expect the same consideration on the answers.

Minister, I've often heard and you've often characterized Ontario's energy costs as being competitive with our neighbouring jurisdictions and our competitors. Is that a fair statement, that you'd characterize our energy costs as competitive?

Hon. Bob Chiarelli: I indicated that Ontario's energy costs, relative to other provinces, are about the average level.

Mr. Randy Hillier: About average. So "competitive" would be—

Hon. Bob Chiarelli: Yes.

Mr. Randy Hillier: If they're the average cost, or competitive, that tells me that you must have ministry staff or staff throughout the ministry who monitor and evaluate the energy costs and energy policies of our neighbouring jurisdictions. Would that be correct?

Hon. Bob Chiarelli: The National Energy Board does studies of all the provinces' comparative rates projected over 20 years. That information is readily available. Those figures, incidentally, are in my House book, and I refer to them occasionally.

Mr. Randy Hillier: Does your ministry do any independent analysis or evaluation of our neighbouring jurisdictions on their energy rates and policies?

Hon. Bob Chiarelli: I'm going to let the deputy speak to that issue in a moment. I actually prefer to use third-party information because anything that we create in terms of data and information, we kind of anticipate that you will find tainted and non-objective. So we try to do as much third-party validation of our policies as possible, and part of the third-party validation of our energy prices comes from Hydro-Québec. They do an analysis on an ongoing basis on comparative prices.

Mr. Randy Hillier: Okay. Maybe I'll hear from the deputy, then.

Hon. Bob Chiarelli: I'll refer to that to the deputy.

Mr. Serge Imbrogno: The minister is correct. We would rely on Hydro-Québec, which does a survey of provinces and states. We would base our comparative analysis on that. I think the methodology used is always subject to review and I think some would criticize us if we did that analysis. So we do like to depend on something like Hydro-Québec that is seen as independent.

Mr. Randy Hillier: Okay. I can understand why you might consider the administration not objective.

Madam Chair, can I hand out these to the committee members? These are the current rate charts for Manitoba and British Columbia. They are available on their website. I did an independent search to see what the rate charts were in Manitoba and BC.

As that's being delivered, Minister, I'll say to you that the monthly charge in Manitoba for residential electricity consumers is 7.381 cents per kilowatt hour and there is a monthly fee of \$7.28. That's the total, all-in cost in Manitoba.

In BC they have slightly higher rates of just over 10 cents a kilowatt hour but, once again, their basic service charge is \$6.83 per month.

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I did a little comparison with a few of my constituents. The United Church in my riding, their bill, all in, including delivery, regulatory charges, debt retirement charge and the clean energy benefit—all in—for a month was \$681.88. That was based on 3,200 kilowatt hours. If that church was in Manitoba their all-in costs would be \$243—one third less. If that church was in BC, it would be \$330—half the price.

I have another one. A gentleman who lives on Umpherson Mill Road: His bill was \$186 for the month for 838 kilowatt hours. If that house was in Manitoba, it would have been \$69.23; the same house in BC, \$91—again, one third and half the price of our competitive rates here in Ontario.

One more, on Baptist Church Sideroad, just down the road from my place: 731 kilowatt hours used in the month; \$155 was their hydro bill here. The same house in Manitoba would have been \$61, and in BC it would have been \$80.80.

Minister, maybe Hydro-Québec's evaluations are not objective; maybe they're tainted. Would you like to comment on why every one of my constituents, if they had the same house in Manitoba, would be paying a third—that's the all-in cost—of what they're paying here? If they were in BC, they would be paying half. To me, that is not competitive, and we're certainly not average.

Could you explain why your market studies, or why your evaluation of NEB's evaluation in Hydro-Québec lead you to believe that our rates are competitive or average?

Hon. Bob Chiarelli: You said the questions would be short, and you expected the answers to be short.

Mr. Randy Hillier: Well, there was a lot of data there.

Hon. Bob Chiarelli: Can I have as much time answering the question as you did asking the question?

Mr. Randy Hillier: Can you explain that?

Hon. Bob Chiarelli: First of all, let's deal with Manitoba. If you look at any of our comparables, or even Quebec's comparables, it will show Manitoba as significantly less expensive than Ontario and also significantly less expensive than all of the other provinces, except maybe Quebec. That's because they have almost 100% hydroelectricity.

We've always acknowledged that when we talk about comparative prices—

Mr. Randy Hillier: Minister, what I was getting at here is the regulatory charges, the debt retirement charge and the delivery charges. Our energy rates are competitive, or they are average, but what has been failed to be communicated to the people in this province is all the additional charges that you do not take into consideration.

Our basic energy costs—as I just said to you, in BC it's 10 cents per kilowatt hour, in Manitoba it's 7 cents per kilowatt hour, so those rates, by and large—Manitoba is cheaper, BC is closer to us, but still their all-in price in BC is half of what it is here because they don't have the delivery charge, they don't have the debt retirement charge, they don't have the regulatory charge; they have one very small service fee each and every month.

Hon. Bob Chiarelli: The comparables that we use are all-in: whatever the total charges are on the bill compared to whatever the total charges on the bill. You compare bottom line to bottom line. When you compare bottom line to bottom line, Manitoba is the lowest or second-lowest in Canada. We recognize that. Quebec is roughly in the same ballpark. All the others are very varied. You talk about the price per kilowatt hour in BC being 10-pennies something; the kilowatt hour in Ontario is 12.4—

Mr. Randy Hillier: That's at peak rate?

Hon. Bob Chiarelli: No, their average rate. They average them out, okay?

Mr. Randy Hillier: Yes, okay.

Hon. Bob Chiarelli: If you look at Alberta, it's 14.36 cents, and Ontario is 12.44 cents.

Mr. Randy Hillier: But what we have that they don't have—

Hon. Bob Chiarelli: If you look at Saskatchewan, it's 13.15 cents—

Mr. Randy Hillier: But, Minister, what I'm getting at is the delivery charges—

Hon. Bob Chiarelli: —and Prince Edward Island is 14.87 cents, and Nova Scotia is 15.45 cents. At the end of the day—

Mr. Randy Hillier: Listen, the all-in price is twice as much here as it is in BC. That's what the numbers show: the all-in price. I've just given you a number of examples. I've got thousands more in the office.

Here's this one bill, for Jacques Rubacha. His electricity charges for the month: \$75.64. All other charges: \$96.61 for the month, Minister. That's the all-in price. That's what you've been failing to communicate to the people of Ontario. Is that not correct?

Hon. Bob Chiarelli: No, it's not correct.

Mr. Randy Hillier: It's not correct? You've been—

Hon. Bob Chiarelli: First of all, you had the courtesy to give us these two sheets for current electricity rates in Manitoba and current electricity rates in BC. Then you go to specific examples of specific bills, and you use a series of churches in your riding as examples.

Mr. Randy Hillier: No, one church; two other residents. One of the residents was on—

Hon. Bob Chiarelli: I thought you used several churches that you mentioned.

Mr. Randy Hillier: No, no. It was on the Baptist Church Sideroad; it was a residence.

Hon. Bob Chiarelli: Oh, I see.

Mr. Randy Hillier: They're just some small residences.

Hon. Bob Chiarelli: You didn't tell us what months they were, whether they were in the middle of winter this year or whether they were in the summertime—

Mr. Randy Hillier: It doesn't make any difference, Minister—

Hon. Bob Chiarelli: It makes a lot of difference. It makes a lot of difference, how much—

Mr. Randy Hillier: When you're comparing it to Manitoba or BC?

Hon. Bob Chiarelli: No, what their bill is, actually.

Mr. Randy Hillier: Of course, what their bill is—

Hon. Bob Chiarelli: No, but you used—

Mr. Randy Hillier: —but I'm just saying, if that house was in Manitoba or BC, it doesn't matter what time of year.

Hon. Bob Chiarelli: You were using in the example—

Mr. Randy Hillier: Don't throw red herrings in there.

Hon. Bob Chiarelli: I won't shout, but you can shout if you want.

When you were referring to a number of the bills, you were referring to the total amount at the bottom of the bill.

Mr. Randy Hillier: Yes.

Hon. Bob Chiarelli: I don't know what month that total bill was incurred in—

Mr. Randy Hillier: It makes no difference.

Hon. Bob Chiarelli: It makes a lot of difference.

Mr. Randy Hillier: Not when you're comparing it to another province, Minister. Whatever time of year it is, I'm saying to you, because Manitoba and BC don't have the delivery charges and don't have the debt retirement charges—they don't have the clean energy benefit as well, and I'm including that in there—the bill in BC is half the price, regardless of the time of year, and the bill in Manitoba is a third of the price, regardless of the time of year, because they don't have those additional charges.

It certainly appears, to me, less than forthright. When you say that our prices and our energy policies are average or competitive, that's not being genuine. It's not being completely forthright when the evidence shows very clearly—if you took off the delivery charges and all those other charges, yes, we would have an average price here in this province.

Are all these other charges, Minister, just the way for you to skirt, and confuse the population of this province with this characterization that our energy policies are average?

Hon. Bob Chiarelli: What I'm going to say, I know I will not be able to finish, because you will interrupt me, but I'm going to try, okay?

Mr. Randy Hillier: Try.

Hon. Bob Chiarelli: All right, I'll try. When we took over government in 2003, there was a significant deficit

of electricity generation. We were importing a billion dollars a year of expensive electricity—

Mr. Randy Hillier: Today.

Hon. Bob Chiarelli: No, you said you weren't going to interrupt me.

Mr. Randy Hillier: Today. Today.

Hon. Bob Chiarelli: You said you weren't going to interrupt me. Please let me finish.

It was an unreliable system. Your government was putting generators on the streets of Toronto to try to avoid brownouts and blackouts in the city of Toronto.

We lost the equivalent generation, under your administration, of Niagara running dry. So we had to go from a deficit to a surplus, or an adequate reserve, to manage the system. We had to build a lot of new generation. The new generation—

Mr. Randy Hillier: Could you not do that honestly, though, and tell people?

Hon. Bob Chiarelli: The new generation that we had to build was expanding Niagara, expanding the Lower Mattagami dam. It was building 20 gas plants. It was doing renewables—

Mr. Randy Hillier: Don't forget the windmills.

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Hon. Bob Chiarelli: At the same time, we were getting rid of cheap, dirty coal. That put a lot of pressure on prices. We agree with you—

Mr. Randy Hillier: So is that where the delivery charges—

Hon. Bob Chiarelli: We agree with you. To get a clean, reliable system, we had to invest significantly: \$30 billion into the system. That goes on the rate base. We did a number of mitigating factors—and if you would just be patient for just one minute more—the Ontario Clean Energy Benefit; the Ontario Energy and Property Tax Credit saves qualifying individuals up to \$963 per year, with a maximum of \$1,097 for qualifying seniors; the Low-Income Energy Assistance Program; the saveONenergy Home Assistance Program; the Northern Ontario Energy Credit helps families and individuals in northern Ontario by providing tax credits for low- to middle-income families and individuals living in northern Ontario. For a family, including single parents, that amounts to \$214 per year.

Mr. Randy Hillier: So let me—

Hon. Bob Chiarelli: We did—

Mr. Randy Hillier: I get it, so—

Hon. Bob Chiarelli: We did a lot of mitigating programs, including on the business and industrial sector, in a very, very significant way, to make us competitive.

Mr. Randy Hillier: Minister, let me first say that on the business side, I can give you many, many examples, and you know that to be true. With the global adjustment, our energy policies have been onerous and very, very difficult for our businesses to manage in this province, and that's why so many of them have indeed left.

But you're suggesting to me that all these other charges are as a result of you and your government having to build more capacity into the system, where we

know we are using less power in this province now than we were when you came into office. We are using substantially less power. Our demand for power is less, so that doesn't square. That's a fact: We're using less power.

Whether you want to call it as a result of your conservation policies or whether you want to call it the result of a failed energy policy that has driven manufacturers out of this province, my question to you is, why can't you tell the people of this province honestly that they're paying a lot more every month? You may be giving some crumbs to some people with your northern Ontario benefit and other different tax breaks, but you have very significant and distributed pain throughout Ontario and a few people getting some gains out of this.

Why aren't you being truthful with people and doing your own studies of our all-in costs and being forthright with the people of Ontario?

Hon. Bob Chiarelli: Before I turn it over to the deputy, I just want to give you one simple example. Detour Gold says that the IEI program, which they are participating in, is saving \$20 million this year for them while they expand what will be one of the largest gold mines in Canada.

If you want to go to Whitby, Atlantic Packaging—they're creating 80 jobs. They're getting the marginal cost of expansion at 50% of the regular rate. In Pembroke, the MDF paperboard plant is creating 140 new jobs by reopening the paperboard plant, and again, they're getting the energy to run the plant at 50% of the cost. That's in the community represented by your neighbour sitting immediately to your left.

But I want the deputy—

Mr. Randy Hillier: And the church is paying for it.

Hon. Bob Chiarelli: In terms of transparency, I would like the deputy to refer to the long-term energy plan, and the long-term energy plan shows projected very significant increases. Okay?

Mr. Randy Hillier: Mm-hmm.

Hon. Bob Chiarelli: And it shows them levelling off as a result of what we're doing now.

Mr. Randy Hillier: But you are not showing the delivery charge to rate schedules or the regulatory charges. Where else are you burying those costs?

The Chair (Ms. Cindy Forster): Mr. Hillier, you have two minutes left in your rotation.

Mr. Randy Hillier: And really, as you talk about Detour Gold, I can also talk about Xstrata leaving this province, but what we do know: All those little crumbs that you give out to your friends, the United Church is paying for it; the people on Anglican Church Road are paying for it; the people on Umpherson Mill Road are paying for it. They're paying, each and every month, these inflated rates so a few people can get a benefit. Is that not correct? I'll let the deputy minister speak.

Mr. Serge Imbrogno: Just in terms of the long-term energy plan, so—

The Chair (Ms. Cindy Forster): Deputy, you have one minute.

Mr. Serge Imbrogno: Thank you. In terms of the long-term energy plan, figures 7 and 8 provide the all-in costs for both residential and industrial customers going forward over the plan. We tried to be very explicit about what the all-in cost of the plan is for residential and industrial customers. That would include the commodity, the distribution/transmission. All the costs are built in.

When you're comparing Ontario to other jurisdictions, in Ontario's bill we tend to break out in more detail what all the charges are. Other jurisdictions can group them. I think it's important to make sure that when you unbundle the other bill, you take into account that they may have, for example, charges for debt that are built into the commodity cost, whereas in Ontario we've broken that out. It's important to look at methodology when you're comparing across—

Mr. Randy Hillier: Come on, now.

Mr. Serge Imbrogno: No, I'm—

Mr. Randy Hillier: There's the all-in price in BC and Manitoba. Whether they have debt charges built into that cost, who cares? They're still half the price.

Mr. Serge Imbrogno: That's what the comparison is when we're saying, when you look at the Hydro-Québec study, it would look at the all-in price. That's why we are agreeing that you have to compare—

Mr. Randy Hillier: You know what? Maybe I'll ask this.

The Chair (Ms. Cindy Forster): Mr. Hillier, your rotation is over.

Mr. Randy Hillier: Could we have this study that you've—

The Chair (Ms. Cindy Forster): Mr. Hillier, your rotation is over.

Mr. Tabuns, you're on for 20 minutes.

Mr. Peter Tabuns: Thank you, Chair. I appreciate that.

Minister, could we have the operating officer from OPG back? I have some further questions.

Hon. Bob Chiarelli: Just to be clear, and I don't know if one of my members wants to deal with the issue too, I understand OPG is scheduled to come before estimates. If they're strictly OPG-related questions, we're probably not going to answer them here and would defer them to OPG coming here. They're up next, so—

Mr. Peter Tabuns: Well, I did sort of notice when it was the Liberal turn that OPG was brought forward; questions were asked. You opened this particular envelope. I'm just suggesting that we have the same rights as any other party to ask questions.

Hon. Bob Chiarelli: Okay. He will come up.

Mr. Peter Tabuns: He'll come up? That's great.

Welcome back. I appreciate you coming this morning and I appreciate you giving the information you gave earlier. I'm not familiar with all the elements that we're dealing with here.

A mega-gram is a metric tonne: Is that correct?

Mr. Paul Pasquet: A metric tonne.

Mr. Peter Tabuns: Okay. So there are five to 10 tonnes of heavy water that leaked out. Is that correct?

Mr. Paul Pasquet: It was leaked out within the containment structure of the plant.

Mr. Peter Tabuns: No, I understand that, but it leaked out of the pipes it should have been in, into the structure.

Mr. Paul Pasquet: Correct.

Mr. Peter Tabuns: How much heavy water is there in that reactor at any given time?

Mr. Paul Pasquet: There are specifically two heavy water systems. There's a moderator system and there's a heat transport system. Within the moderator system, it's about 300 mega-grams—

Mr. Peter Tabuns: So 300 tonnes.

Mr. Paul Pasquet: Three hundred tonnes. And within the heat transport system, there is, roughly speaking, another 250 to 300 metric tonnes.

Mr. Peter Tabuns: Okay. And is it standard to call a plant emergency for a leak during shutdown?

Mr. Paul Pasquet: In this particular case, because of the activity level that was going on in the facility, the shift manager made a conservative call, which basically said that he required some additional resources. By activating that particular part of the emergency plan, it allowed him to get some additional resources to support that, plus all the other activity that would have to be going on in the facility at that particular time.

Mr. Peter Tabuns: So what additional resources did he require that he got?

Mr. Paul Pasquet: Basically, it would be technical resources, some additional operating resources, some additional oversight, some additional senior management to come and basically be a second-party review of what actions were being taken.

Mr. Peter Tabuns: If I understood what you said earlier, this leak happened when a valve was removed.

Mr. Paul Pasquet: That's correct.

Mr. Peter Tabuns: That's correct. Typically, when I deal with plumbers, they isolate valves that they are going to take out. Why is this valve not isolated?

Mr. Paul Pasquet: This valve was isolated. I don't want to get into a design discussion of this particular facility, but there's a facility to drain pipework, and the pipework will all common up to a particular tank. There was a pump that started leaking to this particular collection tank, and the water basically backed up through the drainpipe into the space where the valve had been removed.

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Mr. Peter Tabuns: Okay. And how long did it take for that 10 tonnes to leak out?

Mr. Paul Pasquet: In the course of about an hour to two hours, in that period of time.

Mr. Peter Tabuns: Okay. So at what point in that hour to two hours was it noticed that there was a leak?

Mr. Paul Pasquet: The leak was identified very early because the operational staff have alarms that flag them to something being abnormal. They didn't know specifically what was going on. They had to then dispatch field staff to go and check what was going on in the facility, but given the type of situation, people just don't go wan-

dering into the building in that sort of situation. We need to make sure they're properly briefed. We need to make sure that they're properly protected to go into the environment that they might potentially be dealing with. So basically, those are thoughtful and considered moves when we send people into that type of environment.

Mr. Peter Tabuns: Okay. And just to go back, was this leak in the mediating fluid or in the cooling fluid?

Mr. Paul Pasquet: It's the moderator—

Mr. Peter Tabuns: Sorry. Thank you. The moderating is the lower amount, the 250?

Mr. Paul Pasquet: It's the higher one.

Mr. Peter Tabuns: It's the higher—the moderating. Okay. Thank you.

The reactor was shut down; it wasn't operating. You were doing maintenance.

Mr. Paul Pasquet: That's correct.

Mr. Peter Tabuns: How much water would have to be lost to create a substantial problem?

Mr. Paul Pasquet: Define "substantial problem."

Mr. Peter Tabuns: Where you would be getting worried about the operation of the plant and there being an accident—damage.

Mr. Paul Pasquet: Damage? In that particular configuration, you essentially could lose all of the water out of the moderator system.

Mr. Peter Tabuns: Okay. And what's the protocol for informing the authorities and the public once you've had an emergency call at a nuclear plant?

Mr. Paul Pasquet: The protocols are all procedure-based.

Mr. Peter Tabuns: Yes.

Mr. Paul Pasquet: And so basically, there is a procedure that we follow in order to make notifications and we follow that protocol.

Mr. Peter Tabuns: And at what point is the general public informed that something's going on or has gone on?

Mr. Paul Pasquet: In this particular situation, there's a protocol that the Canadian Nuclear Safety Commission mandates. Where the public is at risk, there's an immediate notification. But where the public is not at risk, then there's next-business-day notifications, and so we followed the next-business-day notification.

Mr. Peter Tabuns: And Saturday wasn't counted as a business day?

Mr. Paul Pasquet: That is correct.

Mr. Peter Tabuns: And you just operated on your own—

Mr. Paul Pasquet: We don't operate on our own. We operate to basically what we've been mandated by the Canadian Nuclear Safety Commission.

Mr. Peter Tabuns: I apologize. My question was imprecise. You followed exactly what the CNSC had told you to do?

Mr. Paul Pasquet: We followed the protocol.

Mr. Peter Tabuns: And at no point did you deviate from following that protocol?

Mr. Paul Pasquet: I know where you're leading the question, but there were substantial notifications that were made: As I indicated, the community was notified; the ministry was notified; the regional chair was notified; Emergency Management Ontario was notified; Durham emergency measures was notified. So there were substantial notifications. It's not as though we're basically keeping a secret within the facility. There were substantial notifications that were made to people outside the facility as to what was going on.

Mr. Peter Tabuns: And how did you inform the community?

Mr. Paul Pasquet: We basically tell the mayor.

Mr. Peter Tabuns: Ah. You wouldn't normally issue a media release or post a notice on your website saying, "Incident occurred. Incident taken care of."

Mr. Paul Pasquet: So there were certain notifications done internally to staff, obviously.

Mr. Peter Tabuns: Yes.

Mr. Paul Pasquet: And then there were notifications that were made Monday morning.

Mr. Peter Tabuns: To the media generally?

Mr. Paul Pasquet: Correct.

Mr. Peter Tabuns: Is there any reason you wouldn't do it on a Saturday?

Mr. Paul Pasquet: I think it's probably fair to say at this point that we followed the protocol. We've already instituted a lessons-learned review of what transpired. We will look to see if there are opportunities to improve and opportunities to change what we're doing. That's something that OPG will undertake as part of lessons learned for this particular event. But as I indicated, we did follow the protocol, and if there's an opportunity to make the protocol more fulsome, more complete, then we're more than happy to undertake that. But at this point in time, we followed the protocol that was laid out.

Mr. Peter Tabuns: I know there have been leaks in the past; things happen with any large machinery. Have you not, in the past, within 24 hours, posted this on your website or put out a media notice about it?

Mr. Paul Pasquet: Where there has been a public safety impact? Yes, we have.

Mr. Peter Tabuns: I can't remember one where anyone has said that the public has been in danger. Normally what you report is that everything's under control and there's no danger.

Mr. Paul Pasquet: I would say that we characterize it as a risk to public safety; shall we characterize it as that? In this particular case, there was no risk to public safety.

Mr. Peter Tabuns: So you normally would wait from a Friday to a Monday to let the public know?

Mr. Paul Pasquet: Correct. As I say, this is one of the things that we'll be reviewing post-follow-up to see if there's an opportunity to do something more—

Mr. Peter Tabuns: Okay. I think those are the questions I have for now. I appreciate the opportunity. I gather that since OPG will be back for estimates at a later point, I'll have a chance—

Hon. Bob Chiarelli: Is there anything in the communications with all of those municipal people, emergency people, that suggested that they could not make it public?

Mr. Paul Pasquet: No. None whatsoever.

Mr. Peter Tabuns: Thank you. I have no further questions.

So going back, a question, Minister: What's the earliest possible signing date for the Bruce nuclear deal?

Hon. Bob Chiarelli: Negotiations are going on in the normal course. In the normal course of that size transaction, there could be variations of two, three, four months, one way or the other. We take it all in the course of discussions and negotiations. I'll ask the deputy if he has anything to add to that.

Mr. Serge Imbrogno: No. There's really not a set month that we're looking to. I think the negotiations will progress and, based on that, it could be sooner or later.

Mr. Peter Tabuns: Are we expecting to see an announcement prior to Christmas on this?

Mr. Serge Imbrogno: Not that I'm aware of, no.

Mr. Peter Tabuns: Have you inquired recently of the OPA?

Mr. Serge Imbrogno: We would get progress reports on how discussions are going, but I don't have any indication that anything is tracking for Christmas or before Christmas.

Mr. Peter Tabuns: Just because you were a bit low there, you have no indication that there will be a—

Mr. Serge Imbrogno: Well, you asked if there was a signing or anything, an announcement before Christmas, and I'm saying no, not that I'm aware of.

Mr. Peter Tabuns: Okay. I'm going to switch tracks and open up some questions on Darlington. How much money will have been spent on the Darlington refurbishment at the end of this fiscal year?

Mr. Serge Imbrogno: I think we can get the number for you. I'm not sure if we track it by fiscal year. It could be by OPG's calendar year and what they've submitted to the OEB. If you give me a little time, I can just track it for you in these notes.

Mr. Peter Tabuns: If you've got it there, yes, please.

Mr. Serge Imbrogno: Sorry. I'm—

Mr. Peter Tabuns: I have a suggestion, Chair. We're going to be coming back this afternoon. If I could ask that the minister and his deputy review and be prepared to answer that question when we resume this afternoon. I have other questions.

Hon. Bob Chiarelli: Okay.

Mr. Peter Tabuns: Thank you. According to OPG's high-confidence estimate, the cost of power from the Darlington rebuild will be 8.9 cents per kilowatt hour. I just want to confirm some of the assumptions. Capital cost projected at \$12.9 billion: Is that correct?

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Mr. Serge Imbrogno: I think the cost is \$10 billion, but with inflation and other factors, it would be in that range. But I wasn't sure what price you said—

Mr. Peter Tabuns: Twelve point nine billion dollars.

Mr. Serge Imbrogno: Okay. But the previous number was—

Mr. Peter Tabuns: Eight point nine cents per kilowatt hour.

Mr. Serge Imbrogno: I'm not sure where you get that number.

Mr. Peter Tabuns: What figure are you using?

Mr. Serge Imbrogno: Well, I'm not sure where you got that number. We've talked about—

Mr. Peter Tabuns: I gather my researchers got it from a website connected to OPG.

Mr. Serge Imbrogno: Okay. We can try and verify that, but I haven't seen that number put out.

Mr. Peter Tabuns: Could you verify the number?

Mr. Serge Imbrogno: The 8.9? Yes.

Mr. Peter Tabuns: If there's a different number, we'd like to know it. If we've made an error in our search, we'd like to be made aware of that.

The project will be financed 100% by the government of Ontario. Is that correct?

Mr. Serge Imbrogno: Well, OPG borrows money from the Ontario Electricity Financial Corp. The financial corporation is an agency of the Ministry of Finance.

Mr. Peter Tabuns: Okay. And the rebuilt reactors will have an annual capacity factor of around 82%?

Mr. Serge Imbrogno: I'd have to get back on the exact number, but I would think it would be higher than 82%.

Mr. Peter Tabuns: Okay. I just note that these numbers are from the OEB docket number EB-2013-0321, Undertaking J14.4. If we've misread that, I would appreciate—

Mr. Serge Imbrogno: It could be a range. But we can verify that.

Mr. Peter Tabuns: If you could come back when we return and confirm or correct.

We've had experience before with refurbishments in Ontario going substantially over budget, and you've been talking about the transfer of risk in this. Can you tell us what your mechanism is for transferring risk away from the people and the ratepayers of Ontario to the builders and the contractors?

Mr. Serge Imbrogno: I think we've put in place a number of measures. I think OPG has obviously learned from its past undertakings at Pickering. It's also worked at Point Lepreau to assist New Brunswick in bringing back the Point Lepreau reactor, so they have additional experience there.

In terms of the actual contracting, OPG, to the greatest extent possible when it does contracting with third parties, would build in risk-sharing so that as much of the risk as they can can be passed on to contractors.

We've also unlapped the units. Previously, you would have started one unit refurbishment, and then, halfway through, started another unit in terms of refurbishment. What we've done is, we've said that for the first unit, we will refurbish that unit before we take another unit offline. So we'll see the progress that OPG makes through that, and the government can make a determination

whether it's worthwhile going through with the remaining units. So I think there were a number of these measures that were built in.

Also, OPG has oversight advisers that they've hired, who report directly to the board. The ministry has an oversight adviser that has access to all of OPG's oversight information and to everything that goes to its board. So we've tried to put in place sufficient oversight up front.

And I think the other major thing that OPG has learned from past refurbishments is the importance of planning and doing all the engineering work up front. So they've put in place the mock reactor at Darlington. It's kind of one of its kind, where they'll be able to test the tools, test staff, so when they actually start the refurbishment they'll be as prepared as possible.

Mr. Peter Tabuns: If I could go back: How are the contracts structured, such that the risk is on the shoulders of contractors and not on the shoulders of the ratepayers?

Mr. Serge Imbrogno: It would be a negotiation with the contractor to say what the risk most appropriately borne by that contractor is. And in a competitive process, you would get the best price. So it is a contracting strategy. Or it could be a—not a cost-plus, but a price for a service, and then above the price the contractor would take the risk. And when you do a competitive process, you would get the best price,

The Chair (Ms. Cindy Forster): Mr. Tabuns, you have two minutes left.

Mr. Peter Tabuns: Thank you. So that I'm clear: These are not cost-plus contracts; that's correct?

Mr. Serge Imbrogno: I think you'd have to look at each of the contracts and what services they're getting. I think OPG would avoid cost-plus-type contracts.

Mr. Peter Tabuns: Are there any cost-plus contracts?

Mr. Serge Imbrogno: Not that I'm aware of. And they're in the discussion/negotiation phases with a lot of the contracts going forward.

Hon. Bob Chiarelli: The concept is, if the contractor is over budget or over time, they have to pay the costs associated with that. That's the general principle. There are some nuances in negotiations, but that's the general concept, as it was with Bruce Power. In the case of Bruce Power, they were responsible for delivering the units, and they were, what, \$2 billion over? And they had to eat it. So the cost of that overage did not come to the province.

Mr. Peter Tabuns: I understand that part of that overage did, in fact, come to the province, did it not?

Hon. Bob Chiarelli: I think there's an issue that's still in discussion or negotiation or arbitration. I'd have to verify that.

Mr. Peter Tabuns: I would appreciate verification of that for this afternoon, because I seem to understand from the Auditor General's report that, in fact, we did have to take a chunk of that.

Hon. Bob Chiarelli: The substantive portion of it was absorbed.

Mr. Peter Tabuns: Okay.

The Chair (Ms. Cindy Forster): Thank you, Mr. Tabuns. Your time is up.

Government members: Ms. Kiwala.

Ms. Sophie Kiwala: One of the central tenets of the Green Energy Act was a push for the creation of a clean energy manufacturing base in Ontario. The aim was to create a regime in which companies would be encouraged to invest in Ontario and to bring new manufacturing facilities here that would help produce the parts for clean energy projects. These new factories would create jobs, help kick-start the manufacturing sector that was struggling through the effects of the global recession at the time and also create an industry with the expertise and experience to offer exports to global markets, at a time when other governments were transitioning to clean energy as a major source of generation. The number of jobs and energy created that you've already cited here today are very encouraging.

My question to you—and this is something that came up repeatedly during the election campaign for me in Kingston and the Islands. People were very encouraged to think about the potential for the manufacturing sector in our community. When the Green Energy Act was implemented, there was a focus on creating a new energy manufacturing sector in the province. How successful has this government been in achieving this goal?

Hon. Bob Chiarelli: Thank you for the question. First of all, right off the top—I know we're short of time—we have created manufacturing facilities here to service the renewable sector. The original intention was to create an industry here that had export potential. Canadian Solar, I think, is a company that has operations in China but is also exporting to China. Siemens has started to export wind turbines to Europe; I think it was Denmark or Sweden. So the green energy strategy has attracted billions in private sector investment and has created and is still creating a new green energy industry in Ontario.

Ontario has 2,700 clean-tech firms and employs 65,000 people in the clean technology sector, generating annual revenues of more than \$8 billion. Since 2009, Ontario's feed-in tariff program has been successful at developing wind, water, solar and bio-source power. The feed-in tariff program and Ontario's clean energy policies have generated billions of dollars in investments and already created more than 42,000 jobs, generating billions in investments. More than 30 companies are currently operating or plan to build solar and wind manufacturing facilities in Ontario.

The feed-in tariff program also assists First Nation and Métis communities in participating in the energy sector, realizing economic development opportunities. Since the start of the FIT program, over 800 megawatts of aboriginal-community-led or -partnered renewable energy projects have secured FIT contracts, with participation from around 60 aboriginal communities.

Renewable energy projects have been creating new high-value jobs and providing economic benefits and opportunities to municipalities and local businesses.

Deputy, I don't know if you have any—

Mr. Serge Imbrogno: I was going to call Kaili Sermat-Harding up to give you a bit more detail on the green energy sector and the jobs created in manufacturing in Ontario.

Ms. Kaili Sermat-Harding: Good morning, and thank you very much for the opportunity to provide a little bit more information. The 2013 long-term energy plan is highly supportive of Ontario's growing renewable energy sector. It clearly lays out plans for procurement of renewables, including a commitment to make 900 megawatts of new capacity available between 2013 and 2018 through the feed-in tariff program, the microFIT programs, and also sets annual targets for the procurement of large renewable energy through the new competitive large renewable procurement process.

The province has over 3,800 megawatts of solar and wind capacity currently under development, which will require locally manufactured equipment. Since 2009, Ontario has had a strong focus on investing, modernizing and rebuilding new, cleaner power for the province, and is proud to be a North American leader in renewable energy.

As the minister mentioned, Ontario's clean energy initiatives have attracted billions of dollars in investments and helped create more than 42,000 clean energy jobs, including renewable energy jobs across Ontario. As mentioned, there are currently over 30 solar and wind manufacturers operating in Ontario, and a number of these companies also manufacture components for external markets.

As the minister mentioned, for instance, earlier this year Siemens shipped wind turbine blades manufactured at its Tillsonburg plant to supply wind projects in Sweden.

In 2013, PowerBlades Inc., a Canadian subsidiary of German wind turbine manufacturer Senvion SE, opened a plant in Welland to produce Senvion wind turbine blades for the North American market.

Canadian Solar, founded in Ontario in 2001, has two manufacturing plants in the province and is one of the world's largest solar module suppliers, with a presence in 19 jurisdictions.

In May 2014, EnerDynamic Hybrid Technologies announced that it was creating more jobs in Welland. The company designs, manufactures and installs lithium battery energy storage systems and has developed a technology that helps to merge wind turbines with solar panels to produce electricity. The company produces products to support smart energy storage systems and also manufactures polycrystalline and monocrystalline solar modules.

In October of this year, Strathcona Solar Initiatives opened a plant in Napanee to manufacture high-quality photovoltaic solar module systems for the European market. The company also has plans to open a facility in Belleville.

The Green Energy Investment Agreement also led to significant investments in Ontario, including four new renewable energy manufacturing facilities. These plants in Toronto, Tillsonburg, London and Windsor are expected to create up to 900 direct jobs through the manufacturing of wind turbines and blades and solar components.

Ontario is a world leader in clean energy technology, innovation and smart grid solutions. As a result, Ontarians are benefiting from a clean, reliable and affordable energy system. According to the Ontario Centres of Excellence, Ontario's growing cluster of energy technology entrepreneurs is developing the products that will drive the jobs of tomorrow. With support from Ontario's Smart Grid Fund, smart grid solutions will help local distribution companies integrate new, promising technologies into Ontario's electricity system that could help operators use grid assets more efficiently, including storage and electric vehicles. Technological innovation from the smart grid could also help bring clean energy to remote communities.

The Chair (Ms. Cindy Forster): Excuse me. You have one minute and then we're going to adjourn for question period.

Ms. Kaili Sermat-Harding: Okay. The Smart Grid Fund helps Ontario businesses compete with advanced technology companies from around the world and has already created more than 600 jobs and supported 11 projects developing innovative technologies. Opportunity also exists for Ontario to be a leader in combined solar storage systems.

Ontario has many elements in place that will allow its renewable energy sector to thrive for the long term, and companies in Ontario with a focus on innovation and automation are well positioned to become world-class in the commercialization of renewable energy products and services.

Ms. Sophie Kiwala: Thank you.

The Chair (Ms. Cindy Forster): Okay. We're going to recess now until this afternoon after routine proceedings.

The committee recessed from 1014 to 1555.

The Chair (Ms. Cindy Forster): Okay, we're ready to resume. The government has 12 minutes left from the 20-minute rotation. Government member: Ms. Wong.

Ms. Soo Wong: Thank you very much.

Interjections.

Ms. Soo Wong: Hey, come on. The committee has started.

Minister, I'm very pleased to be back at estimates. It's not my regular committee.

You recently had the Independent Electricity System Operator, the IESO, and the Ontario Power Authority develop a report exploring the role of interprovincial entities and electricity trading between Ontario and Quebec. Can you share with this committee what are some of the next steps with regard to the findings of this report? Is it feasible and economical in terms of importing additional power from Quebec? If you could share that information with the committee, that would be great.

Hon. Bob Chiarelli: First of all, before I start, Ontario and Quebec have been trading energy since 1926, and it's gradually been increasing. At the present time, there are interties between Ontario and Quebec that will allow for 500 megawatts to be traded in the normal operation of

our systems. We do that with each other the same as we do that with the other members of our network. There's a series of cells or networks across North America where the electricity operators who are connected to each other are legally bound to help each other out, to work together and to manage some kind of a market between themselves. We have a system where we're trading energy, working closely and planning with Manitoba, Michigan, New York, New England and Quebec. That's how the trading takes place.

Our government's long-term energy plan, over and above that 500 megawatts, has committed to pursuing clean import agreements where they're cost-effective and can benefit the system. Ontario, Quebec and Manitoba are already significant electricity trading partners, as I mentioned. The recent IESO and OPA intertie report demonstrates, firstly, the benefits that these partnerships with our neighbours are providing to Ontario in terms of providing flexibility, reliability and reducing costs.

Just some small example: If, for example, we have a major facility that has to go down for maintenance for any reason. Let's say the Niagara facility, that 700 or 800 megawatts—I forget the exact number—if that has to go down for any reason and we need to replace that for one day, two days, three days or even a week, then we rely on our neighbours or we rely on other generation facilities in Ontario to make up that slack. That applies across the whole system, the whole network of those various jurisdictions.

The report identifies opportunities to enhance the benefits of existing interties as well as the technical and cost restraints that limit the amount of power that we could import. That's a very, very important point which we'll get to in a minute or two.

Ontario currently has the capacity to import 500 megawatts from Quebec. However, significant transmission upgrades costing roughly \$2 billion would be required in order to import larger amounts from Quebec. I know that the Conservative member, Mr. Randy Hillier, would be very interested in those facts that I just outlined.

As minister, I'm working with my counterparts in Quebec and Manitoba to explore the opportunities to enhance the benefits of our existing interties, as recommended in the report. Our party has a rational energy policy that has focused on clean energy, conservation and containing costs.

While the intertie report identifies opportunities to expand our import and export agreements, technical and cost constraints mean that imports cannot reliably replace the supply of clean, safe and emissions-free energy that Ontario's nuclear plants provide. That's why our plan for clean, reliable and affordable energy includes refurbishing the nuclear reactors at Darlington and Bruce to ensure we get the most value out of our existing infrastructure.

Again, our government is committed to pursuing opportunities to expand our agreements with Quebec and Manitoba to increase the flexibility and reliability of our electricity system and reduce costs to our Ontario consumers.

First of all, I want to say that in our long-term energy plan, we state very specifically that we are going to explore more imports from Quebec and Manitoba. As a result of the long-term energy plan, the IESO did the intertie report. The intertie report indicates the status of that particular issue. We have 500 megawatts that's available now for the normal regulatory part of our system. There's no further capacity now to bring in more capacity from Quebec. There's not enough room on the interties. There's not enough transmission.

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We do have in our capital plan somewhere around \$300 million or \$350 million to expand the transmission in and around the city of Ottawa, which would be able to raise the capacity of importing from Quebec to about 1,000 or 1,100 megawatts, but it would cost that amount of the investment. We would have to accelerate that expenditure if we were going to do it, because it's set to move forward several years from now.

The type and the amount of electricity that we require for the long term or even medium term, what are called firm commitments for import—that means long-term contracts. The intertie report from IESO, and I would encourage every member of the committee to read that, says that it would require a minimum of \$2 billion of investment on the Ontario side to boost the transmission to handle that capacity, to move that forward. It would also require significant infrastructure investment on the Quebec side to make that happen.

In addition to that, the overriding policy in our long-term energy plan and in the intertie report is talking about economically feasible imports, which means the price has to be right. Right now, the price that the province of Quebec is getting for exporting to New York state is higher than what we can generate now in the province of Ontario. In other words, we can generate it higher than the cost of that electricity.

There's a sense out there that there will be very cheap or significantly less of a cost to the import of Quebec electricity. The intertie report says that we would have to invest, just on the Ontario side, over \$2 billion. That would have to be added to the cost. In addition to that, in our meetings with the province of Quebec, Quebec hydro said quite clearly that they want to get an economic price for their power—and there's no special deal for Ontario in terms of long-term power price. Notwithstanding that, we're still at the table with Quebec to try to see if there are ways to get long-term commitments from them at a price that's acceptable.

When asked a direct question, the president of Hydro-Québec said that they cannot guarantee a price cheaper than we can generate it now. At such time as it might be available, when they have made their investments on their side and we've made the investments on our side, it would have to be a competitive price. If they could sell it higher to the US or anywhere else, that's what they would do. So it's very, very difficult, in the short or medium term, to be able to get the price certainty that we need to make significant changes in the direction of our long-term energy plan.

Having said that, at this time—which deputy will be on this one?

Mr. Serge Imbrogno: It could be Rick. Do you want to talk about the swap agreement?

Hon. Bob Chiarelli: Oh, yes. The one thing that we did do, incidentally—first of all, if I can roll the tape back somewhat—

The Chair (Ms. Cindy Forster): You have about two minutes left.

Hon. Bob Chiarelli: Okay. We have a working group between deputies in Quebec and Ontario and three committees. One of those committees deals with energy trading. What are the other two? Sorry.

Mr. Serge Imbrogno: The other one is off-grid communities—

Hon. Bob Chiarelli: Off-grid communities—for example, the remote communities in the north—and the other one is on oil and gas, which includes the Energy East initiative. We have an ongoing working committee on the issue of interprovincial trade to look at how we can enhance medium and long term.

I don't know if Rick has any time left. Do you have 30 seconds you want to put in as a—

Interjection.

Mr. Rick Jennings: I would just say that that was all summarized—

Hon. Bob Chiarelli: Talk fast.

Mr. Rick Jennings: That was all summarized very well, and I don't really have anything else to add.

Mr. Randy Hillier: Surely you have a slogan or a sound bite that you could put in.

Mr. Rick Jennings: No, I would just—

The Chair (Ms. Cindy Forster): You have just one minute left.

Mr. Rick Jennings: As part of what the minister mentioned, the joint cabinet, there was an agreement on a 500-megawatt swap. Because Quebec is a winter peaking jurisdiction and Ontario is summer peaking, we came up with an agreement where we would provide capacity to Quebec between now and 2019, and when we need the power after 2019 in the summer, they would provide us with capacity. That's an agreement that we put in place.

Hon. Bob Chiarelli: At cost.

Mr. Randy Hillier: For five megawatts?

Mr. Serge Imbrogno: Five hundred megawatts. That's equivalent to a Portlands gas plant, that kind of capacity.

Mr. Rick Jennings: And a doubling of operating support as well.

The Chair (Ms. Cindy Forster): Okay. Thank you. We'll move to the official opposition, then. Mr. Hillier.

Mr. Randy Hillier: Minister, earlier this morning, there was a question that I asked about the study that you use for pricing, to evaluate your pricing. You said that you use the Quebec hydro study. I did ask if you could provide that study to the committee and I didn't get an answer. So I was wondering if you could answer that now.

Hon. Bob Chiarelli: I'm going to refer it to the deputy on that issue.

Mr. Serge Imbrogno: A couple of things: On the long-term energy plan, we put out several modules that give more detail on what our assumptions were in the LTEP. On the Hydro-Québec report, that's publicly available.

Mr. Randy Hillier: Okay.

Mr. Serge Imbrogno: So it's not something we'd have exclusively—

Mr. Randy Hillier: No, but maybe you could just provide the link—which one that you're using.

Mr. Serge Imbrogno: We could provide you a link, absolutely.

Mr. Randy Hillier: Okay.

Minister, I'm sure you're familiar with a statutory obligation of IESO and the MDM/R, the Meter Data Management and Repository. Of course, that is the network that transmits all the information from our meters to the IESO, then transfers that data back to the LDCs and then once again, finally, to the consumer. Minister, have there been any audits done on the complete MDM/R network?

Hon. Bob Chiarelli: I believe that the Auditor General has been working on issues related to the smart meters, which would cover the question, but I'm going to ask the deputy—

Mr. Randy Hillier: It's not financial—not the financial. I mean the data management auditing, the data management integrity.

Hon. Bob Chiarelli: I'm going to turn that over to the deputy.

Mr. Serge Imbrogno: The IESO would have hired several consultants—I think the latest one was IBM—to review the MDM/R to provide advice on the data, and also provide advice on going to forward with what improvements we could make to using the data and working with the LDCs as well.

Mr. Randy Hillier: Right. But as far as you know—

Hon. Bob Chiarelli: If I can add to that somewhat, IBM built a new data management centre in Barrie, and it is to, first of all, manage data for entities, whether they're government or large corporations. They are concentrating on three or four particular subject matters.

I had the benefit of visiting the data centre about seven or eight months ago, and it was quite impressive. They have a major initiative—and that facility, incidentally, was supported by funding from the federal government and the provincial government to initiate it. One of their data management projects is actually to mine the data from smart meters and all the different systems that we have in Ontario in order to create new applications and new efficiencies going forward.

Mr. Randy Hillier: But my question is, has there ever been an audit done on the entire system for data integrity?

Mr. Serge Imbrogno: Well, we've worked with the privacy commissioner on privacy matters, if that's what you're asking.

Mr. Randy Hillier: No. The meters are transmitting data to the IESO's MDM/R. The MDM/R then collates that data and transmits it out to the LDCs, who then collate it once again and transmit it back out in the form of a bill to the consumer. I'm just asking, has there been an audit done on the integrity of that data transmission and collection of the system?

Mr. Serge Imbrogno: I believe the IESO would have internal audits in place, systems in place. When you say "audit," we think of the Auditor General doing an audit.

Mr. Randy Hillier: Yes. This would not be a financial audit.

Mr. Serge Imbrogno: I think the IESO would ensure the integrity of the data, the integrity of the system.

Mr. Randy Hillier: Okay, so as far as you're aware—you're not aware if there is or there isn't?

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Mr. Serge Imbrogno: Well, I'm aware that the IESO would ensure the integrity of the system. Whether they do what you think of as an audit or they have systems in place to ensure that, that's really what the MDM/R is about.

Mr. Randy Hillier: Yes. The IESO is obligated to have that system under the statutes. I'm just wondering, under those statutes, what is the obligation to ensure the veracity and the integrity of the data?

Mr. Serge Imbrogno: Well, the function of the IESO and MDM/R is to collect that data, to do the due diligence on it, and to collect it so that it can go to the LDCs.

Mr. Randy Hillier: Okay. Well, I'm sure you're aware that the Ombudsman has been investigating many thousands of complaints on incorrect billings etc. It's been high profile; I'm sure you're aware of that. I'll let you know that I spoke with the IESO, and there is no complete auditing process for our data management system. There is none. I'm wondering: Because of this Ombudsman investigation, have you at the Ministry of Energy determined if there needs to be a better auditing process on the data in light of the tens of thousands of complaints on billings?

Mr. Serge Imbrogno: Just to clarify, the Ombudsman is looking at Hydro One.

Mr. Randy Hillier: Yes.

Mr. Serge Imbrogno: Hydro One introduced a new billing system within Hydro One. It is that billing system that's caused a lot of problems for Hydro One, and they're trying to rectify it. So I wouldn't connect that to the IESO MDM/R. I think they're two separate issues. Hydro One is working to rectify that situation.

Mr. Randy Hillier: They could very well be, but does it surprise you or does it concern you when I tell you that there is no auditing process for the complete network for the MDM/R system?

Mr. Serge Imbrogno: I'd have to talk to the IESO, just so that we're talking about the same thing in terms of a complete audit versus what they're obligated—

Mr. Randy Hillier: Well, the audit is this: If a bit or a byte of data gets transmitted from a meter into the IESO system and then it gets relayed over to an LDC, the data

that originated from the meter is the same data that ended up at the LDC. That's what an auditing process does, to make sure that the veracity of the data is indeed correct. In my speaking with the IESO, there's never been, nor is there any requirement for, an audit on the complete data transmission network for smart meters.

Mr. Serge Imbrogno: I'd have to talk to the IESO, just to give you some assurance as to what verification they do, because they're obligated to verify the data.

Mr. Randy Hillier: Well, maybe I'll just—as we know that the Ombudsman is investigating these many errors with smart meters, I'm wondering what independent actions the Ministry of Energy has undertaken to investigate, themselves, in the level of these errors. Have you taken any independent investigation—

Hon. Bob Chiarelli: The Ombudsman is looking into Hydro One's billing issues.

Mr. Randy Hillier: Yes. So you guys have not done any independent investigations on these billing errors?

Hon. Bob Chiarelli: There's no need to do an independent investigation with respect to the billing. Hydro One has already acknowledged that they put in a new system. The billing errors are not related to smart meter information; the billing errors are with respect to the IT system that Hydro One has implemented and that it's in the process of rectifying.

Mr. Randy Hillier: Maybe I'll ask this question: The MDM/R system deals with 70 LDCs throughout the province. All meters transmit to it. Are you aware of any other jurisdiction in North America or Europe that has multiple LDCs transmitting on different platforms through a network into one central system?

Mr. Serge Imbrogno: Off the top of my head, I don't know. I know there are other jurisdictions that have implemented smart meters. Whether they have 70 LDCs, I'm not sure.

Mr. Randy Hillier: Or any combination. I'm just asking because that was a statutory obligation in the legislation, and I'm just wondering what level of investigation the Ministry of Energy did to come up with that determination, that that should be included in the legislation—that there be one centralized depository for all the data.

Mr. Serge Imbrogno: I think the centralized repository is to ensure the veracity of the data. So you collect it from—

Mr. Randy Hillier: But you're not aware of any investigation into other jurisdictions with a similar depository?

Mr. Serge Imbrogno: I think we're aware that other jurisdictions are implementing smart meters. I just don't know exactly how many LDCs they have and what issues they may or may not have.

Mr. Randy Hillier: Maybe I could ask if the ministry has any of that information that they used to evaluate multiple network platforms transmitting into a central system that indicated that that was the right way to go—

Hon. Bob Chiarelli: California has smart meters and they have multiple LDCs.

Mr. Randy Hillier: I'm aware that they do not have a central, MDM/R-like repository for data, that each LDC sends out the data, collects the data and retransmits the data to their own customers, unlike what we have here in Ontario. So if there is something that the Ministry of Energy undertook to determine, that this was a good way of doing it, I think it would be good information for the committee to have, if you have any evaluation. What drove and what gave merit and justified going into this MDM/R system? Would you have that business case or that feasibility study of what determined to go to the MDM/R system?

Mr. Serge Imbrogno: I think that would have been part of the original rollout of the smart meters decision at the time. I think the reality of having 70 LDCs-plus—

Mr. Randy Hillier: But this—

Mr. Serge Imbrogno: Not all LDCs have their own—some of them share their back office functions and the billing systems. We have Hydro One, which is a large player. We have 20 large LDCs that cover 80% of the province. I think there are some unique features, but there is a concentration of consumers in 20 of the largest LDCs as well.

Mr. Randy Hillier: Let me just see if we can get to the end of this one. If the ministry has any study or evaluation that gives rise and credit and justification to include that in the legislation, the MDM/R, would you be able to provide it to the committee, if there is any evaluation?

Mr. Serge Imbrogno: We can review what was made public at the time. I know there were studies. We can look at the IESO website and provide that information to you.

Mr. Randy Hillier: Okay. Minister, on page 7 of your 2014-15 estimates, you'll notice that there's a \$1.9-million allocation for conservation initiatives. If you could explain what that's for. It's under "transfer payments" on page 7 of the 2014-15 estimates.

Hon. Bob Chiarelli: The deputy will find that in the estimates.

Mr. Serge Imbrogno: Sorry, you said page 7?

Mr. Randy Hillier: Page 7 of the 2014-15 estimates. The vote item is 2902-1.

Mr. Serge Imbrogno: I'm looking at this. You might have different—mine is just words on my page 7.

Mr. Randy Hillier: Okay.

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Mr. Serge Imbrogno: We can give you some of the programs that—it's on our page 67, just for the record.

Mr. Randy Hillier: Okay, page 67. I'll take a look at it. I'm curious because when you look at the 2013-14 estimates, you see the exact same line item under transfer payments, \$1.9 million, but going through the public accounts, I could not find where that money was expended. I don't have page 67 with me at the moment. Maybe if you can give me a brief summary of what that expenditure is for.

Mr. Serge Imbrogno: Yes, we can give you a sense of some of the programs that were funded through that transfer program.

Mr. Randy Hillier: Okay. So you'll provide—

Mr. Serge Imbrogno: We can give you a bit of a highlight now if you want, or we can provide it—

Mr. Randy Hillier: Sure, if you want to just—

Ms. Kaili Sermat-Harding: One of the programs that is funded by the ministry is the Municipal Energy Plan Program. That was a program that was launched in August 2013. It is designed to provide municipalities with some funding to support the development of community energy plans. The program provides a maximum of \$90,000 for about 50% of eligible costs to municipalities that are interested, as I mentioned, in developing a community energy plan. It is to support some of the activities that relate to that.

Mr. Randy Hillier: And that's for—the maximum is under \$90,000?

Ms. Kaili Sermat-Harding: It's \$90,000, yes.

Mr. Randy Hillier: In our public accounts, we don't report individual line items for payments less than \$120,000, right?

Ms. Kaili Sermat-Harding: This would be for the sum total of the—

Mr. Randy Hillier: Yes. What I'm getting at is, in public accounts, if you stroke a cheque for greater than \$120,000, you indicate what that cheque went for. If the cheque was for \$90,000, it doesn't appear in public accounts. So that \$1.9 million, you're telling me, on that municipal energy program—it's capped at \$90,000?

Ms. Kaili Sermat-Harding: Per municipality.

Mr. Randy Hillier: Per municipality. So nobody would ever see that in the public accounts, then.

Ms. Kaili Sermat-Harding: I suppose not on a per municipality basis, but as a program, it would be part of that funding.

Mr. Randy Hillier: Okay. So not quite open and transparent, but I'm going to leave it at that and turn it over to my colleague from Renfrew-Nipissing-Pembroke.

Mr. John Yakabuski: Okay. How much time do we have left, Madam Chair?

Mr. Randy Hillier: You've got three more—four more minutes.

The Chair (Ms. Cindy Forster): About three minutes.

Mr. John Yakabuski: I like Randy's clock. He says "four."

We're not going to cover much in these four minutes, but—Minister, we've heard you go on and on about community engagement and how there are changes being made that will allow—municipalities that are willing hosts will be the ones that will be host to large-scale wind developments.

I want to talk about the Great Lakes. It was our position some time ago that turbines should never be built in the Great Lakes. Prior to the 2011 election, your government issued a moratorium on wind turbines in Lake Ontario or the Great Lakes to save Brad Duguid's seat. They don't call for them in the long-term energy plan, I don't believe, but is that something that I can get you on

record today as saying, that your government will not build wind turbines in the Great Lakes, ever?

Hon. Bob Chiarelli: Our policy at this time is that we will not proceed with offshore wind projects until enough scientific evidence exists to demonstrate that any future proposals can be developed in a way that is protective of both human health and the environment, and—

Mr. John Yakabuski: You guys had pretty well the same caveat to building wind turbines on land, and we know what that got us. I'm asking for a specific commitment that you will not build offshore wind turbines in the Great Lakes.

Hon. Bob Chiarelli: Our policy at the present time is that we will not proceed with offshore wind projects until enough scientific evidence exists. So our policy is that at the present time—

Mr. John Yakabuski: So you will not commit to it.

Hon. Bob Chiarelli: —there is not enough evidence to satisfy our ministry that we should proceed with offshore wind—

Mr. John Yakabuski: Okay, so you won't commit to a permanent ban on building wind turbines offshore.

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: I'm sorry to hear that.

On these wind turbines, most of them are under 20-year contracts, as far as I can understand, or from what the ministry has let us know. At the end of these contracts, many of these turbines are going to be inoperable or nearing the end of their life, or maybe have reached the end of their life.

Who is responsible for the dismantling, removal, de-commissioning etc., and all of the costs? I have municipalities that are very, very concerned that they're going to be saddled with some of these costs. The contract is over, the developer flies the coop, and who pays the piper?

The Chair (Ms. Cindy Forster): You have 30 seconds to answer that, Minister.

Hon. Bob Chiarelli: I'll ask the deputy, and we can talk afterwards about some of these things. Go ahead.

Mr. Serge Imbrogno: I think the REA process that developers go through—

Mr. John Yakabuski: The what?

Mr. Serge Imbrogno: The REA process.

Hon. Bob Chiarelli: Environmental assessment.

Mr. Serge Imbrogno: The environmental assessment requires the developers—they're responsible for the wind turbines after the 20-year contract—

Mr. John Yakabuski: Do they put money in an escrow account ahead of time? Because if the guy is bankrupt, how do you get blood out of a stone?

The Chair (Ms. Cindy Forster): Thank you. We're going to move on to Mr. Tabuns.

Mr. Peter Tabuns: With that charming question.

Going back to some requests I made this morning: The EDA proposal for taking over parts of Hydro One's local distribution—you had said that you could provide the committee with copies of their proposal and your response to it. Can those now be tabled?

Hon. Bob Chiarelli: It's going to take a little time to answer that. First of all, you raised the issue relative to the question you asked in the previous meeting, and you said I had indicated that there was information that had been made available, and you referenced the material was—and I referenced—no. You indicated that I had said the material was available on the Web. You said, "Maybe my search skills are poor. I couldn't find it. Could we have that site or that link so that we can read their proposal?"

I said, "I can't recall saying it was on any particular site. I had indicated that it was public, that they had released it. It was commented on in the media. I don't know. Perhaps you can clarify that, Deputy?"

The deputy said, "I'm not sure if they've" ever "posted it on the website, but we can talk to the EDA to provide that material."

Today we did, after our session this morning, look into it. The facts are—I was kind of uncertain and not sure what the facts were. The facts were that the actual proposal represents a 70-page document and that the reference to it being made public was somewhat not entirely correct, because what had happened was, someone released a 70-page document to the Toronto Star, and the Toronto Star had written about it in the media. I did recall that I had written a response to that article, but I never realized that it was a 70-page document.

With respect to the deputy's comment that we can talk to the EDA to provide that material—the EDA, in the person of Teresa Sarkesian, vice-president of policy and government relations, told the ministry people who inquired today that they did not believe—or did not intend it to be a public document. However, they said that they would be very happy to meet with Mr. Tabuns and review the material with him, and certainly they would be prepared also, in that context, to release our response which we made to them. That's the status of that particular issue.

I was vague and I was trying to recall how it was put into the public purview, and that's how it proceeded to move forward.

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Mr. Peter Tabuns: Okay. So they haven't sat down with you and reviewed the plan with you. That's correct?

Hon. Bob Chiarelli: To be clear, we meet regularly with a number of stakeholder organizations.

Mr. Peter Tabuns: I would assume so, yes.

Hon. Bob Chiarelli: We did meet with the EDA when they explained this concept at a high level, and I said, "It's a very, very complex issue and we really can't respond to discussions," that it would be incumbent on them, if they were serious, to make a serious offer, and they purported to make a serious offer in the 70-page document which they're happy to sit down and review with you.

Mr. Peter Tabuns: And I'll get in touch with Teresa and talk to her about it.

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: But you don't have it in hand at this point?

Hon. Bob Chiarelli: I have never seen it. Okay? I know that they had provided it, and I was advised on the content, and I provided a response to it.

Mr. Peter Tabuns: In the context of meeting with Teresa Sarkesian of EDA, you would be pleased to share your response to her document. Is that correct?

Hon. Bob Chiarelli: Yes, yes.

Mr. Peter Tabuns: And can I just ask, Deputy: Have you ever reviewed that document yourself?

Mr. Serge Imbrogno: Well, we would have had meetings with the EDA. They would have talked about it generally. They would have shared a draft, and I don't know if that's the final product or—my sense was, they were hiring—

Hon. Bob Chiarelli: That's with the ministry, not with the minister's office.

Mr. Peter Tabuns: No, I understand.

Mr. Serge Imbrogno: Right—that they were hiring additional expertise to firm up their plan. So I'm not sure at what point—whether we had the final or a draft.

Mr. Peter Tabuns: Are you in a position to tell us what the major elements are of their proposal?

Mr. Serge Imbrogno: Well, I think we talked about it at the high level, but I think if you're going to have your meeting with them, then it would probably be better for you to hear from them directly, because it may have changed since they briefed us to where they are now.

Hon. Bob Chiarelli: The high level, I think, I gave to you last week, in that they were looking at a number of LDCs coming together collectively and basically taking over Hydro One distribution. That's it at a high level.

Mr. Peter Tabuns: Okay. I'll sit down with EDA, then.

Hon. Bob Chiarelli: Okay.

Mr. Peter Tabuns: This morning, I asked if you could tell what had been spent on Darlington refurbishment by the end of this fiscal year. Mr. Imbrogno, you were going through your pages. I asked if you would come back in the afternoon. Can you give me the number?

Mr. Serge Imbrogno: Yes. There's an update. As of July 2014, OPG posted an update, so \$1.1 billion has been spent on the definition phase of the work.

Mr. Peter Tabuns: So that's available on their website?

Mr. Serge Imbrogno: Yes. They've posted on their website an update of the Darlington refurb project. We can send you the link if that would help. But there's a lot of detail on where the project is, and it breaks it down by different components.

Mr. Peter Tabuns: Okay. That's useful.

My other question that we were touching on in the morning: The Ontario Energy Board had a submission from OPG stating that the cost of the Darlington refurb was \$12.9 billion; the project would be 100% financed by the government of Ontario; rebuilt reactors would have a capacity factor of 82%. Do you differ from them at all in your assessment?

Mr. Serge Imbrogno: We can confirm the \$10 billion in 2013 dollars. Including capitalized interest and escalation, the project would be \$12.9 billion.

Mr. Peter Tabuns: Okay.

Mr. Serge Imbrogno: In terms of the capacity factor, there are a lot of numbers, but I can refer you to the Darlington refurb business case summary submitted to the OEB on November 14, 2013, and we have page 45 of appendix C. In there, they provide a range. So the median is 88%, the upper is plus 5% and the lower is minus 5%. Those are the numbers: 88% and then plus or minus 5%.

Mr. Peter Tabuns: Thanks. It's useful to get this morning's business out of the way.

Going on, then: the question of overruns and who gets stuck with the bill.

Mr. Serge Imbrogno: We also had an update on the projected price, just because you had mentioned it.

Mr. Peter Tabuns: Yes, please.

Mr. Serge Imbrogno: In the same document, just so you have our reference, it's page 43 of 47. This is under 2.1, levelized unit energy cost. I'm just reading it. The updated analysis also includes 70% to 90% confidence that the LUEC for Darlington refurbishment will be in the range of 7.6 cents per kilowatt hour to 8.1 cents per kilowatt hour in 2013 dollars, and very high confidence that the LUEC will be less than 8.7 cents per kilowatt hour in 2013 dollars.

Mr. Peter Tabuns: If they're wrong, who picks up the tab? If their estimates are wrong, who pays the bill?

Hon. Bob Chiarelli: We addressed that this morning, somewhat, in the sense that we are building negotiated protections and risk management into the contracts between OPG and the contractors. Very significant, if not all, of any cost overruns will be borne by the contractors, moving forward.

Mr. Peter Tabuns: What do you mean by "very significant"?

Hon. Bob Chiarelli: Predominantly most of the cost, as was the case with Bruce.

Mr. Peter Tabuns: Ninety per cent?

Hon. Bob Chiarelli: I wish I could give you an answer to that right now, but those are items that are negotiated in the procurement process. There may some that are 100% and some that are 80%, so you'd have to take an average on that, and it will depend on the nature of the particular contract. I would have to have somebody here from, I guess, OPG to go into more of the detail, or perhaps the deputy can respond to that.

Mr. Serge Imbrogno: I think OPG plans to have their release quality estimate in May, where they would have done all their testing on the mock facility and would have done their negotiations with their contractors. I think at that point we'd have a better sense of the different contracts and the risk sharing with the contractors.

Hon. Bob Chiarelli: One of the biggest risk factors being managed is that I'm sure you're aware, in the long-term energy plan and, in fact, in our cabinet approval, we've indicated that if the budgets are not met within the time periods, then we've created off-ramps where we will have the option not to proceed forward. To the extent that there's any risk in the first unit that is refurbished, a significant portion of the risk will be offset by those

contract provisions, if not all of it. But certainly for the future ones, the risk will be totally managed, because we will not be proceeding.

Mr. Peter Tabuns: Let's say, for a point of argument, that the first reactor comes in, and your judgment is that the overruns were unmanageable; they were disastrous. Am I to conclude, then, that you won't proceed with two, three and four?

Hon. Bob Chiarelli: That's highly likely.

Mr. Peter Tabuns: Where would you make up the loss of power?

Hon. Bob Chiarelli: There will be contingency planning throughout this whole process, as there is right now, for example. In other words, as units come out of service for refurbishment, there is a plan with the IESO in terms of options on how that loss of temporary generation can be accommodated, and there will be longer-term options as well. There are some significant lead times, and there are significant options we can evolve.

Part of the options, actually, could go back to the question of Quebec imports. If we get to a point where they are economically viable for us, we could move in that direction. That's certainly one option that the existing committee dealing with energy trades could be dealing with on an ongoing basis.

Mr. Peter Tabuns: Are you placing options on Quebec power futures now, so that you've got a buffer just in case?

Hon. Bob Chiarelli: No, they're not in a position to provide concrete options for us.

Mr. Peter Tabuns: Are you trying to negotiate such options so that you actually have an alternative? This is a very substantial question.

Hon. Bob Chiarelli: The deputy is on the deputies' working group that is overseeing that particular committee, and I'll ask him to respond.

Mr. Peter Tabuns: That would be great.

Mr. Serge Imbrogno: We have the intertie report, which gives us a sense of what we can do now and what we need to invest in Ontario in order to expand that. Quebec has the same issues about what they have online now and what they're planning for the future. I think with our capacity swap, that's the initial discussion. We are working with them on trying to price out, if we want to do a larger, firm deal, what the parameters are around that timing cost. So I think it's something that we are developing and working on with them.

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As the minister said, we do have time. We update our long-term energy plan every three years; we do annual energy reporting. So we have options.

In addition to the Quebec option, we also have OPG's Lambton and Nanticoke plants that could be converted. We have non-utility generator contracts that come off, that can also be renegotiated. We have more demand-response, more conservation. So I think we have a lot of options that we keep in play—

Interjection.

Mr. Peter Tabuns: Please.

Mr. Serge Imbrogno: And then as we approach the period, we can lock those in if we need to. Quebec imports is an option that we're looking at.

Mr. Peter Tabuns: How much time do I have left?

The Chair (Ms. Cindy Forster): You have about five minutes.

Mr. Peter Tabuns: In fact, you're now actively looking for options that would allow you, if the numbers were no longer working, to abandon refurbishments two, three and four, if the first didn't go well. If you want to have a credible threat to a contractor or to a project manager, you have to be able to say, "I can leave you behind."

Mr. Serge Imbrogno: I think it's just part of our energy planning that we always look for options going forward, whether it's nuclear or whether it's other plants. So it's just part of our energy planning.

Hon. Bob Chiarelli: Part of the planning, incidentally, is the issue of clean energy. As you're aware, a significant number of gas plants we have now have emissions associated with them.

Mr. Peter Tabuns: Oh, I'm well aware.

Hon. Bob Chiarelli: Sometimes they're at 30%, 40% or 50% capacity. We can always crank those up, but compared to nuclear, you've don't have as clean a system. We have limited capacity for hydroelectric.

So for the clean element, which is very, very important to environmentalists and the public, you have renewables that you can move to; you don't have a large amount of hydroelectric you can move to; or you can move to gas.

Mr. Peter Tabuns: Minister, I appreciate the elucidation, but I want to go on to another question in my limited time.

I understand all of this concern about overruns. My understanding is that the first phase, the campus plan, was budgeted at \$552 million, and the current forecast is it's coming in at \$824 million. That was in the Burns & McDonnell and Modus Strategic Solutions report.

Why do we have such a large overrun, roughly 50% to 60%?

Hon. Bob Chiarelli: That's one element of the budget.

Mr. Peter Tabuns: No, I understand that.

Hon. Bob Chiarelli: There's a whole series of elements, and the whole series of elements puts us under budget—

Mr. Peter Tabuns: For now.

Hon. Bob Chiarelli: Perhaps you can deal with that particular item, Deputy.

Mr. Serge Imbrogno: Yes, I think those are non-core items.

Mr. Peter Tabuns: That's correct.

Mr. Serge Imbrogno: Yes. I think part of it is there were some regulatory changes that were put in place. OPG started construction under one set of scenarios, and I think the CNSC firmed up on some of the regulatory requirements, so it caused OPG to have to make some changes. I think that was part of it. But as the minister

said, the overall budget is still within that \$10-billion range.

Mr. Peter Tabuns: Yes, it isn't so much—I understand the scale of the budget according to the consultants' report. The overrun of 250 million or 300 million bucks is handled within your contingency.

But the idea that you would have—and I've gone through these hearings with previous ministers and have always been told, "We've learned our lesson about how to control costs," and the first component of this comes in at 50% to 60% over budget. Who was not watching?

Hon. Bob Chiarelli: I have to take exception to the first component of it. The project is coming in under budget. The project, at this point, is coming in under budget. There's a number of elements to the budget, and one of those elements is over budget. Others are under or at budget. When you take them all into account, they're below the amount that was supposed to be sent at that time period in the budget.

Mr. Peter Tabuns: Then I would appreciate you presenting those figures.

Hon. Bob Chiarelli: They are public. They're at the Ontario Energy Board. They're public figures.

Mr. Peter Tabuns: So why did this component go off? Why did this one go off so sharply?

Hon. Bob Chiarelli: I think the deputy just explained it.

Mr. Peter Tabuns: If you're saying that the scope was revised because of Canadian Nuclear Safety Commission requirements, why should—

Mr. Serge Imbrogno: I think that was one of the components. I think there were some performance issues with some of the contractors. I think OPG has changed contractors since. I think there's a variety of reasons for that—

Mr. Peter Tabuns: Who absorbed those overruns? Which entity?

The Chair (Ms. Cindy Forster): You have one minute left.

Mr. Peter Tabuns: Was it the contractor or the ratepayers?

Mr. Serge Imbrogno: Again, I'd have to check with OPG about how that contract was structured and what penalties were built in to the contract.

Mr. Peter Tabuns: I would appreciate it if you would make a commitment to provide that information to this committee.

Mr. Serge Imbrogno: I don't know if it's available publicly, because it's OPG contracting—

Mr. Peter Tabuns: Either we're absorbing it or the contractors are. I've just heard today that the contractors are going to be absorbing most of it, that we've protected ourselves.

Mr. Serge Imbrogno: We've asked OPG to put on their website updates on refurbishment. The last one is July 2014. It provides all the updates to go through, all the issues.

Mr. Peter Tabuns: And that will tell us who had to eat that 300 million bucks?

Mr. Serge Imbrogno: It will give you an understanding of what the issue is and how they have corrected it, moving forward.

Mr. Peter Tabuns: But will it also say whether the contractor had to absorb that, or the public?

Mr. Serge Imbrogno: I don't know if it's that explicit about how the contract was structured.

Mr. Peter Tabuns: Then—

The Chair (Ms. Cindy Forster): Thank you, Mr. Tabuns. Your time is up.

Government member: Mr. Ballard.

Mr. Chris Ballard: Thank you very much. I don't have to tell you that this is a very complex file. I've appreciated listening to the questions and listening to the answers from yourself and staff, and, just as a consumer, trying to wrap my mind around the difficulties that the government faces, your ministry faces, in ensuring that we have a solid and reliable supply of power.

I wanted to make a comment, though. This morning, when we left off, there was some talk about the closing of coal-burning plants. I just wanted to lead off with a quick comment.

I grew up in a small town about 45 minutes north of Toronto, on top of the Oak Ridges moraine. In the morning, we would look south at this yellow haze hanging over Toronto. My father, climbing into his car, would say, "I've got to go to Toronto and breathe that gunk all day long. Thank heavens, it's not up here." Well, by the time I was 25 or 26, it was up to beautiful King township. In fact, we could look north and it was north of Lake Simcoe.

But since that time, a number of things have changed. First, I don't drive to Toronto. Most likely, I'm on the GO train heading south. Second, we've got rid of those coal plants.

Now I live equidistant away, on top of the Oak Ridges moraine, in Aurora, and when I look south, I do not see that yellow gunk. For that, I know a lot of parents are quite thankful, because their children aren't suffering from the asthma that you've mentioned. I've talked to parents, and they've told me that. I think one of the greatest achievements is getting rid of that awful coal. That's the comment I wanted to make, that I've lived and seen that first-hand, from the awful clouds of yellow to clear blue skies over Toronto.

One area that I've been interested in for a number of years—I've had the opportunity to work with First Nations and aboriginal business development groups—not in Ontario; the Northwest Territories and the Yukon. There are some similarities between First Nation organizations, aboriginal organizations, looking for business opportunities. Oftentimes their communities are located in remote areas where it's really difficult to start a business and employ local people.

I know that the 2013 long-term energy plan—when it was being discussed, there was a lot of consultation, a lot of discussion, with aboriginal communities. Personally, I think it's absolutely critical to involve our aboriginal communities not only in meaningful consultation pro-

cesses but in processes that result in something concrete—in this case, good investment and job creation within their areas.

I'm wondering—the first question is your sense, in the government sense, of how best to involve First Nation communities in Ontario's energy sector. Can you give us your thoughts on that and what this government is doing? **1650**

Hon. Bob Chiarelli: I'd be very pleased to do so, and I certainly appreciate and concur with your comments.

I'm going to deal with some of the programs and some of the numbers and statistics vis-à-vis renewable energy. We think, in terms of aboriginal participation or First Nation participation in the energy sector, almost everybody thinks in terms of renewable energy projects, but the reality is, it's much broader than renewable energy projects.

The Lower Mattagami, for example, which is a very significant expansion of a hydroelectric facility north of Cochrane, Ontario: I had the pleasure to visit that particular facility and its \$2.6-billion expansion, part of our investments to make our system reliable and from deficit to surplus. That's one of the projects. I happened to be there at the same time as one of the First Nation chiefs. He was extremely proud. I remember standing beside a railing and he was waving to one of the First Nation workers who was operating a crane at about 100 feet up in the air. He said, "We have about 500 or 600 people working on this project," First Nations, "who have been trained and he is earning an income from it." That's not renewable energy in the same sense as wind and solar, which we hear a lot about. That's a tremendous investment.

The east-west tie, which is a new transmission system that is presently under way in northern Ontario: It's a very significant transmission line. One of the requirements of that particular proposal is to engage aboriginal or First Nation communities in equity participation. That's very significant. It was done on a competitive basis. We're looking forward to First Nations having equity participation in that very significant project. It's probably an \$800-million project, in that ballpark.

In total, 65 First Nation and Métis communities are involved in wind, solar and hydroelectric projects across the province. They are participating in more than 500 projects representing over 1,500 megawatts of clean energy capacity. The Aboriginal Renewable Energy Fund is helping to eliminate barriers and encourage partnerships and participation in renewable energy projects by First Nation and Métis communities. The Aboriginal Energy Partnerships Program, or AEPP, is designed to eliminate barriers to encourage partnerships in renewable energy. That's the same paragraph.

Seventy-seven proposed renewable energy projects representing 49 communities have been approved for funding under the Aboriginal Renewable Energy Fund, totalling over \$7.8 million committed. Ontario's Aboriginal Community Energy Plans, or ACEPs, are supporting First Nation and Métis communities to understand and

plan for their electricity needs and opportunities. We will continue to provide opportunities and support programs to encourage First Nation and Métis community involvement in Ontario's clean energy economy. The Aboriginal Loan Guarantee Program, or ALGP, supports First Nation and Métis communities' equity participation in renewable energy and transmission projects by providing a guarantee for up to 75% of the equity.

Our government believes our First Nation and Métis communities have an important role to play in Ontario's energy future. Really, I think the verb here is probably in the wrong tense. It makes it sound like it's in the future only: "important role to play." They are playing a very important role and will continue to play an important role in Ontario's energy future.

We have taken significant steps to encourage and facilitate aboriginal participation in the energy sector, including the Aboriginal Energy Partnerships Program, the Aboriginal Loan Guarantee Program and the Aboriginal Community Energy Plan Program. We have also provided assistance to all FIT hydroelectric project developers by extending the commercial operation deadline and reducing upfront connection costs in order to assist First Nation communities. Our government will continue to provide support for First Nation and Métis involvement in our clean energy economy.

I'm just wondering if Deputy Kaili has anything to add to that.

Mr. Serge Imbrogno: I think Michael Reid might have a few additional items to add.

Mr. Michael Reid: Thank you, Minister, and thank you for the question.

As the minister has already said, aboriginal participation in the energy sector has been a key pillar of the government's approach to energy planning over the past little while, as the province has moved to bring on new energy supply.

In terms of maybe a little bit of stage-setting for the development of a number of the programs the minister referenced: As the province was working to bring on new supply, we heard from aboriginal leaders and aboriginal communities that they were extremely interested in participating in these new renewable developments as well as transmission, as the minister has mentioned. But oftentimes these communities just didn't have the resources or the expertise to take advantage of these opportunities.

So, for quite some time the province engaged with aboriginal leaders and communities to begin to get their ideas about the sorts of tools that would help them take advantage of these opportunities. This was through the development of the Green Energy and Green Economy Act, for example—there were a lot of these discussions—as well as through the development of both the 2010 long-term energy plan and the 2013 long-term energy plan. As a result of all those conversations, there really was a suite of tools that are intended to all work together to help communities move from an initial idea to an actual equity investment in a renewable-generation or transmission project.

It's probably worth unpacking a few more of these programs, again, just to give a sense of how they all work together.

The minister has mentioned the Aboriginal Renewable Energy Fund, for example. That really was intended to help communities work through all the initial due diligence on a project, as well as the engineering and approvals work that are required to bring a project to reality, and to really help communities lead projects or become active partners with developers in these projects. For a large project, for example, up to \$500,000 per community is available to help them sort through all those types of issues.

The Aboriginal Community Energy Plan is a program that is really designed to allow a community to begin to figure out exactly what sort of opportunities are available to them and what sort of opportunities they may be interested in participating in. This particular program makes \$90,000 available to communities, with an extra \$5,000 for remote, off-grid communities to begin to do all of that planning in terms of—it might be a conservation program they're particularly interested in, or it might be a generation project. But it allows communities to really understand what best meets their own particular needs and to develop those opportunities.

The minister also mentioned the Aboriginal Loan Guarantee Program. This is a program that was developed by the Ontario Financing Authority, which is an agency of the Ministry of Finance. That program was developed largely because aboriginal communities told the province that, when it comes to investing in projects, they just don't have a lot of capital lying around. And in some cases, particularly with First Nation communities, pledging collateral just isn't possible as well, given some legislative barriers. So this loan guarantee program was created. Essentially, if a project meets the due diligence that the Ontario Financing Authority goes through, it will back a commercial loan to aboriginal communities to take an equity stake in projects.

This has been an extremely successful program. We've heard from communities that it has worked very well for them. In fact, it was launched in 2009 and its envelope has been increased twice since that launch in 2009. Right now it's a \$650-million loan guarantee program.

I'd mention the feed-in tariff program as well. When it was designed, there were a number of mechanisms that were part of that particular procurement, again designed to assist aboriginal communities participating in that particular program. So, for example, applicants that have aboriginal partners can receive what is called a price adder on the standard price for technologies. Again, a little bit like the Aboriginal Loan Guarantee Program, the rationale behind this price adder is that there are extra costs that First Nation or Métis communities incur for structural reasons that this price adder is intended to help offset and get to the table to talk with proponents to put in place partnerships. As well, as the FIT program evolved, it moved a little bit to a priority point model as

well that, again, provided the development community with some incentives to sit down with aboriginal communities and work through commercial partnerships.

1700

The minister has outlined some of the key facts and statistics, but we do think that in the energy sector the success of the suite of tools is fairly unprecedented. As the minister mentioned, it's roughly 60 communities, and that's both First Nation and Métis communities, that are involved in renewable projects across the province—about 500 projects, 1,500 megawatts. Of that, about 800 megawatts is associated with the feed-in tariff program, and there are about another 700 megawatts associated with other types of contracts and procurements, including, as the minister mentioned, the Lower Mattagami partnership with Ontario Power Generation.

In terms of the Aboriginal Renewable Energy Fund, 75 projects in 49 different communities, again, that has been money that has been, I think, incredibly effective and spread across a very, very wide range of communities.

In terms of the Aboriginal Loan Guarantee Program, I think to date a total of about \$130 million in loan guarantees have been approved by the province, and that will add about 500 megawatts of renewable capacity to the grid.

We are continuing to speak with First Nation and Métis communities about this suite of tools and are always interested in hearing ideas about how this suite of tools could be made better.

One example of this is the creation of the Aboriginal Transmission Fund. As the minister mentioned, there are aboriginal partnerships with transmission projects: the east-west tie, as well as with Hydro One and the Bruce-to-Milton line. This Aboriginal Transmission Fund, which should be launched shortly, is intended to do the same thing as we've already talked about on the generation side with transmission. So it's intended to help communities both do due diligence on projects—is it a project they want to get involved in?—to truly understand and get third-party or independent advice from what a developer may be sitting down and walking them through, and this Aboriginal Transmission Fund, say combined with something like the Aboriginal Loan Guarantee Program, we hope or expect will bring about more transmission opportunities for communities in the future.

So, again, with the suite of tools and the ongoing discussions in the future, we believe that supporting aboriginal community involvement will continue to be a part of energy development moving forward.

The Chair (Ms. Cindy Forster): You have about three minutes left.

Mr. Chris Ballard: Do I? Okay. Can I just follow up, then? I think it's heartening to hear about the work that this government is doing with aboriginal communities and business, and so much of it is focused on capacity development. Yes, it's great that on the provincial level we get more electrical generation out of these projects, but from a First Nation perspective, we get the capacity.

We get, as the minister was alluding to, people who know how to drive a crane, and that means future employment, people who get to work in management, office administration, all of those sorts of opportunities that I suspect a lot of people living especially in remote areas wouldn't get to have. So it's very heartening to hear that we have that type of program under way.

One of the things that does concern me especially about remote First Nation communities that are off-grid is that they have to generate their electricity through dirty, expensive diesel generators. I'm wondering what we're doing to address the concern, to address the problem of connecting to the grid as many of those First Nation communities as possible.

Hon. Bob Chiarelli: There's not a lot of time, so I'll try to speak very quickly.

The OPA has a draft north-of-Dryden plan, which is about a \$2.3-billion initiative to build new transmission in the northwest part of the province. That would include significant lines such as a line to Pickle Lake to help supply the mining industry with electricity, but most importantly, the plan anticipates connecting remote First Nation communities with transmission. The OPA's analysis shows that up to 21 of 25 remote First Nation communities in northwestern Ontario are economical to connect to the provincial electricity grid, and we have been in discussions with the federal government. They will save a tremendous amount, multi-millions of dollars, by not having to supply diesel to these communities, and we're asking them to invest 50% of the savings with us to help us pay for that transmission to First Nation communities. It's a real project. It's going to happen in the foreseeable future. We're just trying to connect the dots with the federal government to make that happen. We're working very, very closely with First Nation communities.

ADM, did you want to add any comment to that?

The Chair (Ms. Cindy Forster): You have 30 seconds.

Mr. Michael Reid: I guess just a quick comment, then. As the minister has indicated, with 21 of the 25 communities, we think there's a business case to hook them up with transmission; with the other four communities, the minister has also asked the OPA to look at alternatives there to reduce diesel use, whether that's local renewables, micro grids, those types of solutions. The OPA should be providing us with an indication of what the art of the possible is in those other four communities as well, so it truly is a remote package in that in all communities, hopefully there will be a plan in place to help displace diesel usage.

Mr. Chris Ballard: Very good. Thank you.

The Chair (Ms. Cindy Forster): Official opposition: Mr. Yakabuski, you have seven minutes.

Mr. John Yakabuski: Seven minutes? Boy, we should be able to change the world in that time.

I just want to go back and pick up where I left off on the costs associated with the end of contracts and the decommissioning of wind turbines. We've heard many, many times the concerns of municipalities, and I know

Deputy Imbrogno said that's part of the contract, that the proponent is responsible for those costs. Is that written in all of the contracts, that the proponent is responsible for all of those costs?

Hon. Bob Chiarelli: I'd like to partially respond to that and then turn it over to the deputy. The non-utility generators, the NUGs, as you're aware of—these are 20-year-old contracts that were made approximately 20 years ago. There's a significant number of them that are coming to the conclusion of the 20-year contract. We proactively are negotiating with them at a reduced price of power for them to be able to continue. We have successfully negotiated etc., so it's highly likely that a significant number of the renewable projects, particularly wind, as they come to the end, would be negotiating at a lower price to give us a good deal on power.

The other issue I'm turning over to the deputy.

Mr. John Yakabuski: Okay, but I'm going to add something to it. So you're talking about contracts that are coming up for renewal now or reaching the end of their term. What about all new contracts?

Hon. Bob Chiarelli: That's what I'm saying, that 20 years from now, there is likely going to be the same policy to negotiate renewables with the generators at a lower cost.

Mr. John Yakabuski: Fair enough. But if the project is non-operational, if it has reached the end of its life, who is going to be responsible for the decommissioning and all of the costs associated with it?

Hon. Bob Chiarelli: I'm turning that over to the deputy, and I won't actually interrupt him for a third time.

Mr. Serge Imbrogno: I think the renewable energy approval process requires the developer to be responsible for that cost.

Mr. John Yakabuski: So you're clarifying that. That's good.

Now, suppose that developer is broke, is out of business. What have they done in advance to put money into an account to protect the ratepayer, or if that developer is bankrupt and out of business, does that now become our responsibility?

Mr. Serge Imbrogno: I would think that contract would still have value. I would suggest another developer, another commercial operator, would take over that contract.

Mr. John Yakabuski: They're not going to take it over if the turbines aren't working anymore, if they're dead, they're defunct. Who's going to buy junk: Sanford and Son? You got a deal with them?

Mr. Serge Imbrogno: Actually, the scrappage value of these turbines is fairly—

Mr. John Yakabuski: Yes, but there are still going to be a lot of expenses involved. Usually people take scrap for the cost of taking it down. That's not a contractor; that's not a new developer; that's a junk man taking it down.

1710

Okay, I think I get the drift here. We don't have protection if something goes sideways and these guys go out

of business. We're going to be stuck with the bill one way or another. Maybe we can negotiate with another guy and give the store away, but most likely, one way or another, the ratepayers are going to be stuck with that bill.

I want to ask a question about another: Wesleyville. I've driven by that place so many, many times. It has been mothballed since maybe 1980, maybe even 1979, I'm not sure, but going back a long, long time. It was never operational—1,500 acres of property. Why would that not have been disposed of? And if not disposed of, would that not have been a reasonable location to build the gas plant that you're building in Napanee, much closer to the needs of Oakville, which it's replacing? Don't try and answer all those questions at once.

First of all, what are you doing with these excess properties? You're trying to raise money, sell assets and get out of debt, which is more debt than all the provinces combined here in Canada, so why are you not considering a place like Wesleyville?

Mr. Serge Imbrogno: That's an OPG site. I'm not sure of the transmission capacity at that site, whether you'd have to upgrade it enough to—

Mr. John Yakubuski: OPG can be given directives; they have been in the past.

Mr. Serge Imbrogno: The government is moving on selling some of OPG's real estate assets, so its head office—

Mr. John Yakubuski: It has been there for over 40 years. It's taking a while.

Mr. Serge Imbrogno: I think OPG is always active in looking at whether it needs to maintain, keep or sell. We've also allowed OPG into large renewable procurement, so it's possible that they may have that site or other sites at OPG—

Mr. John Yakubuski: You built 20 gas plants.

Mr. Serge Imbrogno: —for putting renewables.

Mr. John Yakubuski: You're very proud of it. The minister keeps talking about it. Have you not found that there might have been a use for that site? If you're not going to sell it, there might have been a use for that property that we continue to own and pay for. There must be staff there 24/7, security or otherwise. It's an OPG site. I don't think they've just walked away from it. Where's the common sense there?

Hon. Bob Chiarelli: The OPG have raised issues of existing non-operable facilities. As the deputy has indicated, a number of them are being maintained for future potential use. You heard us talking about the fact that we are foreseeing, as units that are being refurbished come out of commission, we're going to have a lag. Part of that gap could be for additional gas plants—

Mr. John Yakubuski: There's no generational capacity at Wesleyville. They never did install the turbines. It's a shell.

The Chair (Ms. Cindy Forster): One minute—

Hon. Bob Chiarelli: No, but I'm saying that it's a site that could potentially be used. I don't know what the plan is at OPG for that particular one, but—

Mr. John Yakubuski: If it's a site that could be used, why haven't we done it now?

Hon. Bob Chiarelli: —they're certainly being encouraged at this particular point in time to update their real estate portfolio. That's in the process right now, at my request. We're dealing with those issues.

Mr. John Yakubuski: Okay. How much time?

The Chair (Ms. Cindy Forster): Thirty seconds.

Mr. John Yakubuski: Minister, this is the end of it for me. Thank you very much for your time.

Hon. Bob Chiarelli: Can I use the next 20 seconds?

Mr. Randy Hillier: No. We'll give it to the NDP.

The Chair (Ms. Cindy Forster): Mr. Tabuns.

Hon. Bob Chiarelli: What's significant here is that—

Mr. Peter Tabuns: Mr. Chiarelli, you're eating into my time, I'm afraid.

Hon. Bob Chiarelli: He interrupts you as much as he interrupts me, so that makes us both equal.

Mr. Peter Tabuns: And you're interrupting me, Minister.

Mr. John Yakubuski: I'm going to talk—

Mr. Peter Tabuns: Yak, your time is over.

Minister, can you tell us a bit about the financing of Darlington? Is there a mix of debt and equity financing? Is it entirely a debt-financed project?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: It would be financed through the OEFC, so it would be a debt-financed project, but OPG would have, through the OEB, a debt equity return. But the financing would be through the OEFC.

Mr. Peter Tabuns: Okay. How much is debt-financed and how much is equity?

Mr. Serge Imbrogno: I think through the OEB, they're regulated 55%-45%, if I remember correctly.

Mr. Peter Tabuns: Fifty-five per cent debt, 45% equity, or the reverse?

Mr. Serge Imbrogno: I think in that order.

Mr. Peter Tabuns: Fifty-five per cent equity?

Mr. Serge Imbrogno: On average.

Mr. Peter Tabuns: What's the projected return on equity?

Mr. Serge Imbrogno: It's an OEB return. I'll get you the exact number, but it's in the 9% range.

Mr. Peter Tabuns: Okay. If you could get us the exact number, I would appreciate that.

In your assessment of going forward with Bruce and going forward with Darlington, did you look at the potential for using energy conservation to provide part of that load?

Hon. Bob Chiarelli: Energy conservation is directed towards every type of load. It reduces our requirement, and then we have options in terms of what we reduce moving forward. It might be likely that we'd want to reduce gas more than anything else because it has emissions as opposed to others.

Mr. Peter Tabuns: The OPA did a study in the first decade of this century showing that it was economically viable to provide about 23% of Ontario's demand

through energy conservation. Are you expecting to go to that 23%?

Hon. Bob Chiarelli: I think our new conservation policy that we're putting in place with the LDCs is doubling the amount of conservation that we had. Perhaps you can be more specific.

Mr. Peter Tabuns: How much of our load will then be met through conservation?

Mr. Serge Imbrogno: I'd probably just refer to the long-term energy plan. I think it's all outlined, what we think conservation would be in terms of capacity. Obviously, we work with the OPA in drafting the plan.

Mr. Peter Tabuns: Yes.

Mr. Serge Imbrogno: Just in terms of the 2013 terawatt-hour production, our estimate is that—it might not be on the same scale that you're looking at, but 5% of all our capacity in terms of production is made up of conservation in 2013.

Mr. Peter Tabuns: Did you look at ramping up to 20% of our total load through conservation?

Mr. Serge Imbrogno: We are ramping up. We're investing \$2.2 billion over the next six years in conservation.

Mr. Peter Tabuns: And that will take you to 10%?

Mr. Serge Imbrogno: I'm going to go to the end result of that, in 2032. In 2013, it was 5%; by 2032, we're projecting it to be 16% of the total—a three-fold increase.

Mr. Peter Tabuns: What's the cost of conservation, and what's the cost of refurbished nuclear power?

Mr. Serge Imbrogno: We also have a slide, page 22, of the long-term energy plan that gives a LUEC for each of the types of generation. We do have energy efficiency at the lowest cost. We would use all that economic power or conservation first, and then we have a range for refurbishment, which is between \$60 and less than the \$80-\$90 range.

Mr. Peter Tabuns: Why wouldn't we max out the conservation and reduce the need for refurbishment or building new generation?

Mr. Serge Imbrogno: I think that's how we've done our planning. We would forecast what we think our demand is without conservation and then we would include all the economic conservation first, bringing down the demand, and then we would build up our supply to meet that demand. We do all the economic conservation first and then we add supply to meet that lower demand threshold.

Mr. Peter Tabuns: So you're saying that all this economic is 16%?

Mr. Serge Imbrogno: Based on our assumptions that we use in the long-term energy plan. We've also said that if we can do more conservation that's economic, then we'll do that. We'll have demand-response—we have other initiatives going forward to ensure we get as much conservation as possible.

The Chair (Ms. Cindy Forster): Two minutes, Mr. Tabuns.

Mr. Peter Tabuns: Was it ever taken into account that there would be the potential for reducing generation by going further in conservation?

Mr. Serge Imbrogno: Absolutely. In the plan, we've called it "plan flexibility," so instead of committing resources today we've left that gap. If we get more conservation then we don't need to add those additional resources. Instead of committing resources today, we'll monitor, and when we do the next launch of an energy plan we'll be closer to decide whether we've actually done more conservation that reduces our need to add additional supply.

Mr. Peter Tabuns: Setting conservation aside for the moment, how much of a threat to your long-term energy plan is increased abandonment of the grid by different sectors? The Ontario Federation of Agriculture, for instance, wants to get off electricity as much as it possibly can. It's been calling for investment in natural gas to displace electrical demand. Other industries have left Ontario because of the price of electricity. Have you done an assessment of the threat to the stability of your pricing projections because of grid abandonment?

1720

Hon. Bob Chiarelli: You're touching on a very important point—

The Chair (Ms. Cindy Forster): You have 30 seconds, Minister.

Hon. Bob Chiarelli: —which we have taken into account, and that, basically, is flexibility. The IESO now is doing annual reporting, which will show demand, supply, load and all those issues, so that we can start adjusting. We're reviewing the long-term energy plan every three years. Because of technology, the advent of better conservation etc., we're going to stay very, very flexible.

So your question is a good point. It's going to be answered through IESO annual reporting and through the update of the long-term energy plan. We'll probably be starting the review of the long-term energy plan within 12 or 14 months from now.

The Chair (Ms. Cindy Forster): Thank you.

Hon. Bob Chiarelli: So we'll have that debate.

Mr. John Yakabuski: The government has no more questions—

The Chair (Ms. Cindy Forster): Government member, you have seven minutes. Do you have a question, Ms. Wong?

Ms. Soo Wong: Seven minutes, so I would appreciate no more interruptions from the opposition party.

Minister, this Saturday, November 29, is recognized as Shop the Neighbourhood, a program to support local businesses. This has now turned into a national program. I know it started here locally, in the city of Toronto. It's now gone across Ottawa, Vancouver and elsewhere.

I heard recently that your ministry has developed—first, as a government, we have the rate mitigation program to support industrial consumers; now I hear there's a five-point plan to support small businesses. Can you share with us this afternoon in your response about this

five-point small business energy savings plan that you announced this spring? How would it offer to support small businesses in my riding of Scarborough—Agincourt?

Hon. Bob Chiarelli: Thank you. That's a very good question. The LDCs across the province are very, very actively now working with the small business sector. In April of this year, we announced a new five-point small business energy savings plan designed to help mitigate electricity rate increases for small businesses by offering enhanced conservation programs. There are over 380,000 small businesses with fewer than 100 employees in Ontario, representing about 98% of businesses in the province. Medium-sized businesses, 100 to 499 employees, represent just under 2% of businesses.

The five points of the plan are:

- firstly, marketing the saveONenergy for business conservation program to promote the cost-saving benefits of conservation to business;

- enhancing the saveONenergy for business conservation program;

- promoting the use of roving energy managers—I think it's important for people to understand just how important that third element is. The LDCs across the province, the utilities, have technical people who actually go into a small business for one week, two weeks, three weeks, four weeks, whatever it is. They do a full assessment. They assist the business to apply for conservation programs, for funding and other financial assistance so they could put a comprehensive program together. The roving energy managers aspect of it is proving to be extremely popular;

- making on-bill financing available to small businesses beginning in 2015 to help with the upfront costs of energy conservation projects. This is not unique. This is a best practice of three or four other jurisdictions, which we are adopting;

- finally, ensuring that long-term, stable funding for small business initiatives continues to be available.

This initiative is helping small businesses manage electricity costs and save money by offering enhanced conservation programs. For example, Giant Tiger is already saving \$300,000 a year from their participation in the pilot project.

The take-up on the part of the business community for conservation programs is extremely significant, and it's growing by leaps and bounds. When you look at Home Depot, for example, they are accessing conservation programs in every one of their outlets across Ontario—huge, huge savings for them and savings to the system, which is taking away some of the pressure on costs.

Tim Hortons—we had an event at Tim Hortons, for example, just last week. Tim Hortons is putting in LED lighting throughout the whole system in Ontario. They're converting.

The Canadian Tire Centre, home of the Ottawa Senators: they've been working with the Ontario Power Authority and have converted all of the lighting inside to LED lighting, saving themselves thousands and thousands of dollars in electricity and also putting less demand on the system.

So when you see projections of no growth in electricity demand, conservation is one of the big, big reasons why that is happening. We're very, very pleased to see that level of participation from the business community with the LDCs, OPA and the system.

Deputy, do you have anything to add to that?

The Chair (Ms. Cindy Forster): Two minutes.

Mr. Serge Imbrogno: Two minutes? Kaili, do you—Kaili Sermat-Harding again might have a few additional words.

Mr. John Yakabuski: Kaili's going to put a wrap on this? All right.

Mr. Randy Hillier: Did you get all new lights at your place, too?

Ms. Soo Wong: Shh. Stop interrupting. That's very disrespectful.

Ms. Kaili Sermat-Harding: Thank you. Perhaps I could talk a little bit more about how the roving energy managers program actually works and sort of the various steps that result in the benefits of the program.

As the minister mentioned, it's a program that is available for small businesses to get the services of an energy manager for a short-term project. How they work is, the business contacts the local distribution company or the sector association to schedule a free energy audit with a roving energy manager. That's sort of the initial step. The next step is, the roving energy manager provides the business with a report that includes suggested energy efficiency upgrades, retrofit incentives and information on return on investment. The roving energy manager then assists the business in deciding which energy efficiency upgrades would be recommended to proceed with. The roving energy manager assists the business in submitting an incentive application through their local distribution company.

The Chair (Ms. Cindy Forster): Your time is just about up.

Ms. Kaili Sermat-Harding: Then, after receiving the approval for the incentive amounts, the roving energy manager assists the business in making arrangements to actually install the energy retrofits. So it's very much a step-by-step process that assists the small business in proceeding.

Interjection.

The Chair (Ms. Cindy Forster): Thank you.

Hon. Bob Chiarelli: We have sort of a very sub voce, a very low-voice choir over there singing. I wonder if he could do it a little bit louder.

Mr. John Yakabuski: You'd have to talk to my agent.

Hon. Bob Chiarelli: Which one of you is the tenor?

The Chair (Ms. Cindy Forster): I want to thank the minister and the ministry staff for a number of days of answering questions here. This concludes the committee's consideration of estimates of the Ministry of Energy.

Standing order 66(b) requires that the Chair put, without further amendment or debate, every question necessary to dispose of the estimates. Are the members ready to vote?

Mr. John Yakabuski: Oh, yes.

Mr. Randy Hillier: It was very entertaining. Thanks for being here.

Mr. Peter Tabuns: Before you do, can you tell me what the motion is?

The Chair (Ms. Cindy Forster): I'm going to, yes. Shall vote 2901 carry?

Mr. Randy Hillier: Recorded vote.

Ayes

Ballard, Delaney, Dong, Kiwala, Wong.

Nays

Hillier, Tabuns, Yakabuski.

The Chair (Ms. Cindy Forster): That's carried. Shall vote 2902 carry?

Mr. Randy Hillier: Recorded vote.

Ayes

Ballard, Delaney, Dong, Kiwala, Wong.

Nays

Hillier, Tabuns, Yakabuski.

The Chair (Ms. Cindy Forster): Carried.

Mr. Randy Hillier: If you like, just a recorded vote for each.

The Chair (Ms. Cindy Forster): Shall vote 2905 carry?

Ayes

Ballard, Delaney, Dong, Kiwala, Wong.

Nays

Hillier, Tabuns, Yakabuski.

The Chair (Ms. Cindy Forster): Carried.

Shall the 2014-15 estimates of the Ministry of Energy carry?

Ayes

Ballard, Delaney, Dong, Kiwala, Wong.

Nays

Hillier, Tabuns, Yakabuski.

The Chair (Ms. Cindy Forster): Carried.

Shall I report the 2014-15 estimates of the Ministry of Energy to the House?

Ayes

Ballard, Delaney, Dong, Kiwala, Wong.

Nays

Hillier, Tabuns, Yakabuski.

The Chair (Ms. Cindy Forster): Carried.

We'll give the Ministry of Energy a few minutes to depart, and then we'll be calling the Ministry of Finance. Is there a motion to adjourn?

Mr. Bob Delaney: Yes, a motion to adjourn.

The Chair (Ms. Cindy Forster): All in favour? Opposed? Carried.

The committee adjourned at 1731.

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Wednesday 26 November 2014

**Standing Committee on
Estimates**

Ministry of Finance

Journal des débats (Hansard)

Mercredi 26 novembre 2014

**Comité permanent des
budgets des dépenses**

Ministère des Finances



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 26 November 2014

Mercredi 26 novembre 2014

The committee met at 1558 in room 151.

MINISTRY OF FINANCE

The Chair (Ms. Cindy Forster): Welcome, everyone. The committee is about to begin consideration of the estimates of the Ministry of Finance, for a total of 7.5 hours. As we have some new members, a new ministry and a new minister before the committee, I'd like to take this opportunity to remind everyone that the purpose of the estimates committee is for members of the Legislature to determine if the government is spending money appropriately, wisely and effectively in the delivery of services intended.

I would also like to remind everyone that the estimates process has always worked well with a give-and-take approach: on one hand, members of the committee take care to keep their questions relevant to the estimates of the ministry; and the ministry, for its part, demonstrates openness in providing information requested by the committee.

As Chair, I tend to allow members to ask a wide range of questions pertaining to the estimates before the committee to ensure they are confident that the ministry will spend those dollars appropriately. In the past, members have asked questions about the delivery of similar programs in previous fiscal years; about the policy framework that supports the ministry approach to a problem or service delivery; or about the competence of a ministry to spend the money wisely and efficiently. However, it must be noted that the onus is on the member asking the questions to make the questioning relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised, so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Are there any questions before we start?

I'm now required to call vote 1201, which sets the review process in motion. We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition, followed by the third party. The minister will then have

30 minutes for a reply. Any remaining time will be apportioned equally amongst the three parties.

Minister, the floor is yours.

Hon. Charles Sousa: Thank you, Madam Chair. Good afternoon, everyone and all members of the committee. I appreciate the opportunity to speak to you today. I'd also like to thank my colleagues and staff at the Ministry of Finance, all of whom work very hard to support the government in its work. I'm joined today by Deputy Minister Scott Thompson.

At the start of May we presented a budget that was unprecedented in scope and ambition to make Ontario a better place to live and work. Fast-forward to November 17, when I delivered to the Legislature the Ontario economic outlook and fiscal review, also known as the fall economic statement, or FES for short. As you know the purpose of the fall economic statement is to update the people of Ontario on the progress made since the passage of the 2014 budget. Normally this is intended to be a mid-year assessment, coming about six months after the budget, but with intervening events, most notably the spring election, our budget only passed on July 24, just less than four months ago.

Now, regardless, FES shows that the government has been moving ahead with speed, determination and diligence. Our purpose has been clear: to create opportunity and security for people and to build Ontario up while eliminating the deficit in a responsible and balanced way.

Our commitment to balancing the budget by 2017-18 will ensure that, over the long term, we can provide the programs and services that Ontarians expect and rely on. Let me add some perspective.

The global economic environment remains challenging and contributed to relatively weak growth for Ontario through 2013. However, there are positive signs that Ontario's economic expansion is gaining momentum this year, supported by a resurgence in the US economy. Major economic indicators, including real gross domestic product, exports and household consumption, have posted gains since the beginning of 2014. I'm pleased that Ontario's unemployment rate has declined to 6.5% in October, down from 7.5% at the beginning of the year, and the lowest rate of unemployment since 2008.

As you can see, the Ontario government is working to meet its fiscal targets despite the challenges of the relatively modest pace of economic growth. The province's total revenue projections for 2014-15, of \$118.4

billion, is \$509 million lower than the 2014 budget forecast. This is largely a reflection of weak 2013 economic growth and lower-than-expected tax revenues in 2013 that are now carrying forward over the mid-term, which all independent economists overestimated. In fact, we were a bit more cautious, took greater care, and we're continuing to move forward now towards balance.

I'm happy to report that we've overachieved, in fact, on our fiscal targets in spite of a decline in the revenue outlook since the 2010 budget. This is happening thanks to sound management of government expenses. Let me elaborate for a moment.

From 2010 through 2013, growth in program spending has been held to an average of 1.2% per year. This, thanks to disciplined action to find efficiencies in the delivery of public services while still making critical investments in the programs and services that people depend upon, such as health care and education—have consistently been able to modify, control and recalibrate our spending in light of lower revenues.

As a result of the responsible management of program spending, which was 16.6% of Ontario's GDP in 2013—which is in contrast, by the way, to program spending that was 17.9% of Ontario's GDP in 2009—from 2013 through the balance of 2017, program spending is now projected to grow at an average annual rate of 0.8%.

During the recession, it was essential for the government to support the economy. So while we have now become the lowest government in Canada for program spending as a result of the measures that we've taken, we've also been very diligent and concerned about investing in our economy to stimulate growth. We now have pivoted and are taking a responsible and balanced approach, as a result, to eliminate the deficit by ensuring that more Ontarians are weathering the economic storm without adverse effect. We recognize that more needs to be done.

Indeed, Ontario consistently has the lowest per capita spending among all Canadian provinces. Good management of the government's finances allows us to move on the progressive agenda for action that Ontarians have given us a strong mandate to implement.

Balancing the budget by 2017-18 is a challenge. However, we are meeting that challenge head-on, taking a deliberate and thoughtful approach to the tough choices that confront us. There are four elements to our plan to achieve that balance, and they're as follows:

(1) We're pursuing a program review and renewal and transformation, building on the very things that we've already done to find efficiencies.

(2) We're managing compensation costs. We have legislation before us recognizing that we must find net zeros throughout the system.

(3) We're ensuring that everyone pays their fair share of taxes. We recognize the underground economy and revenue leakage that exist are also issues that have to be addressed.

(4) We're looking at unlocking greater value of the province of Ontario's assets, maximizing dividends where we can achieve them.

The government is committed to transforming and modernizing public services by finding new and smarter ways to deliver the best value for every dollar spent. The President of the Treasury Board, my colleague Deb Matthews, is leading a careful review of program spending. Building on some of the subcommittee work that was established in the Treasury Board, the programs will be reviewed through four lenses: for relevance, for effectiveness, for efficiency and for sustainability. A focus on evidence and measurable results is a critical element of that review. The objective: to ensure that sustained funding goes to initiatives that work. As part of the process, opportunities will be identified to transform and modernize public services so that every dollar goes further to achieve value for taxpayers' hard-earned money.

In addition to better outcomes, the government is committed to meeting its annual program review savings targets of \$250 million for 2014-15 and \$500 million for each of the next two years, as announced in the 2014 budget.

As well, the government is continuing to take action to control compensation costs. For instance, in October, we introduced Bill 8, the Public Sector and MPP Accountability and Transparency Act, 2014. If passed, that legislation would authorize direct control of compensation for senior executives in the broader public sector. The legislation would authorize the government to obtain all compensation-related information and set compensation frameworks, including hard caps. The legislation would authorize the government to obtain all compensation frameworks.

In August, the government reached a four-year collective agreement with the Association of Management, Administrative and Professional Crown Employees of Ontario, known as AMAPCEO. That agreement includes a wage freeze in the first two years and a 1.4% wage increase in each of the third and fourth years. The deal is consistent with the fiscal plan outlined in the 2014 budget, which includes no new funding for compensation increases. Notably, the cost of wage increases in 2016-17 is being offset over the four-year term through changes in benefits and entitlements, making it a net-zero agreement. This new agreement follows a two-year deal that included no wage increases in 2012 or 2013, totalling four consecutive years without an increase.

Outside the public sector, we continue to take action as well. An effective tax administration system also requires businesses to pay their fair share of taxes. When businesses do not pay their fair share, provincial revenues are also compromised, and competitors and all of you are compromised. This has a direct impact on the programs and services Ontarians expect and rely on. Further, when businesses do not pay their fair share of taxes, they disadvantage other businesses that do follow the rules.

Often, businesses that do not pay taxes also ignore the rules that protect employees and ensure that products and services are reliable and safe. This activity fosters an underground economy.

So we're forcing that activity above ground and into the light. The government is taking action against the

underground economy by launching pilot initiatives to better coordinate and strengthen compliance activities in high-risk sectors and by expanding tax verification for procurements in the broader public sector, crown corporations and financial assistance provided to businesses—must show certificates. Of course, we encourage that with the Ontario government, the municipal government and the federal government. And we're examining additional measures that would enable better information-sharing across government ministries, agencies and jurisdictions.

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In addition, we're taking further measures to address the supply of contraband tobacco, including increased fines and impounding vehicles for those who break the law.

Another high-profile area where we're taking action is unlocking the value of provincial assets, as I've mentioned. This strategy can help our economy grow while creating jobs and sustaining government services. It is also a way to create new revenue that can be put towards improving public infrastructure, including transit. In order to deliver key services to the public, maintaining provincial ownership of many of these assets remains a priority.

The Premier's Advisory Council on Government Assets has been asked to find ways to increase efficiencies and unlock the full value of Hydro One, OPG and LCBO, including other aspects of Ontario's beverage alcohol retail system. The council's findings include opportunities to provide consumers with improved access and an enhanced customer experience at the LCBO, as well as negotiating with suppliers to achieve higher returns for Ontarians. The council recommends as well that Hydro One should retain its core transmission business and that the fragmented system, which is about 70 local electricity distributors, should be encouraged to consolidate and bring in private capital to improve the efficiency of the electricity distribution sector. The government is supportive of the council's initial findings and looks forward to receiving its final recommendations, which will inform the 2015 budget.

Finding efficiencies and being open-minded—these ideas are the core of the government. These are an extension of our overall commitment to balancing the budget while stimulating economic growth.

We're making progress in that stimulation as well. That is why we are investing in people's talents and skills; building water, infrastructure and transportation networks; creating a dynamic and supportive environment that allows businesses to thrive; and ensuring a strong retirement income system so that everyone can afford to retire.

The evidence shows that our agenda is working. Ontario's unemployment rate, as stated, has declined from the recessionary high of 9.4% in June 2009 to 6.5% in October 2014. Since the recessionary low of June 2009, Ontario has added 551,300 net new jobs, on top of recovering the 265,800 jobs lost during the recession. So

we have made substantive improvement, but we want to do better. The majority of those jobs added are full-time and in the private sector. They're high-paying and they're rewarding jobs.

While Ontario's economy continues to create jobs, we recognize more needs to be done. That is why we're continuing to make those investments. We're taking steps to ensure that Ontarians, particularly young Ontarians, have the skills and training they need for high-paying, rewarding jobs.

For example, in 2015, the government will launch Experience Ontario. It's a program that will allow all high school students to gain valuable work experience before they choose their career path. At the same time, the province continues to strengthen post-secondary education through initiatives such as online learning tools that give students the flexibility to control how, when and where they learn.

In September 2013, we also launched the \$295-million Ontario Youth Jobs Strategy. That was in the first budget that I introduced. A key element of that strategy, the Ontario Youth Employment Fund, has already helped more than 23,000 young people gain work experience and find jobs.

Ontario's skilled trades are also fundamental to ensuring continued economic growth across this province. We recognize, and many have stated, that they need more skilled labour. So we're continuing to strengthen their skills and training and have appointed a reviewer of the College of Trades.

The province's plan for the economy is founded on the extensive infrastructure investments that will enhance the quality of life for Ontarians, support economic growth, increase productivity and meet future demographic needs. Ontario is planning to invest more than \$130 billion in public infrastructure over the next 10 years, including \$12.8 billion in 2014-15.

Through the 2014 budget, we provided details of the Moving Ontario Forward plan to make nearly \$29 billion in dedicated funding available over the next 10 years for public transit, highways and other priority infrastructure projects across the province.

Moving Ontario Forward is about investing \$15 billion in transit projects right here in the greater Toronto and Hamilton area and nearly \$14 billion in critical infrastructure projects throughout Ontario.

These investments are being made in a fair, accountable and transparent manner. It looks beyond—I have to tell you, it must look beyond—the four-year election cycle that causes governments' visions to be short-sighted. We have put forward a long-term plan. The government is taking a long-term view that the people of Ontario expect us to.

By investing in infrastructure today, we are helping create jobs and grow our economy so we can meet the infrastructure needs of tomorrow. The easy answer for so many is, "Do not spend." What you end up doing is sacrificing the well-being of future generations by not making investments in the capital infrastructure deficit

that exists. So we are creating that opportunity and making us more competitive.

The success of Ontario businesses is also paramount for our economic future. The key initiatives under our plan that support businesses are as follows: One, we're maintaining a competitive tax environment that encourages business to invest and grow; secondly, we're building strategic partnerships with businesses, including investments through the \$2.5-billion Jobs and Prosperity Fund that I announced in 2013; and we're reducing regulation for business. We recognize red tape is an issue. We must foster the means by which they can be more competitive, more nimble and more reactive.

Of course, growing small business in Ontario is a key element, and it is a foundation of much of the employment of the province. That is why we've taken steps to make them even more competitive by eliminating some of the taxes that were impeding some of their growth. They are still the lowest-cost sector anywhere in North America.

Helping businesses manage electricity costs is critical. It's why we're addressing that as well. Modernizing financial services is another key element of where we've become more competitive. And lastly, we're moving forward with the government's Going Global strategy, which is about trade, to encourage Ontario businesses to expand their exports internationally.

Through these initiatives, the province will encourage productivity-enhancing investments by businesses, improve Ontario's capital markets and support growth in key sectors such as advanced manufacturing. Many would have us go back in time to the glory days of smokestacks and low-cost wages on assembly lines, where we cannot compete. That is not the future of this province. We must go beyond the elements that are making it difficult for us, be it in Asia or in Mexico. We must do better in regard to making advanced manufacturing a priority.

The government is fostering economic growth in all parts of the province. We have created regional economic development funds like RED, the Rural Economic Development Program. Recently, RED provided support to the Hensall District Co-operative, which processes and markets high-value fuel crops for more than 2,000 farmers north of London. This support created and maintained 14 local jobs and the ripple effect of thousands. It's leveraged \$4.3 million in private investment.

As well as thinking locally, we must think globally. To that end, the Premier recently led a trade mission to China that attracted nearly \$1 billion in new investments by Chinese companies, which will create jobs right across Ontario. The government is also modernizing and strengthening Ontario's financial services sector, an area of commerce tightly woven into that global economy.

We're working with other jurisdictions, domestic and global, on new initiatives such as a trading hub for Chinese currency in Canada. We're collaborating with the Chinese government, the federal government and the British Columbia government on this matter because we

recognize that it would put Ontario at the forefront—and, for that matter, Canada at the forefront—for all of North America.

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We're working in collaboration with other provinces and territories and the federal government to establish a co-operative capital markets regulatory system. This will make our securities market safer and more competitive.

That deal was signed in my office in the ministry here in Ontario with the British Columbia government, and it was fostered as a result of the provinces collaborating, recognizing that unanimous support that was sought after by the federal government was not going to happen. What we do not need is a 13th regulator. That makes us uncompetitive. We need to have more collaboration. So we're sponsoring and working closely on that matter, as well as a Chinese hub.

The government is also reviewing the mandates of the Financial Services Commission of Ontario, or FSCO, and the Deposit Insurance Corp. of Ontario, known as DICO, to ensure that there continues to be strong oversight in this sector.

We've already begun a review of the legislative framework of credit unions and caisses populaires, which will be led by Laura Albanese, my parliamentary assistant at the Ministry of Finance.

We're also undertaking a review of the regulation of financial planning by addressing tailored regulations for financial advisers and financial planners.

It's worth noting as well that Ontario's tourism and culture industries also create tremendous jobs and economic growth throughout the province, as well as enhance Ontario's quality of life.

A key element and a key event in that tourism and cultural sector is the commemoration of various events—in this case, the 400th anniversary of the francophone presence in Ontario, scheduled to take place from June to October 2015. On September 25, 2014, the government already announced the funding of \$5.9 million for a wide range of commemorative events for that anniversary.

We're also very proud of the tremendous investments that have been made for the benefit of our future generations through the initiatives that we've done by hosting the Pan Am and Parapan American Games occurring next year. It has created tremendous interest in a number of interested parties right across North and South America. Because of the great diaspora that exists in Ontario, many of whom have activities from other parts of the world, they have seen and have created a tremendous amount of ideas that are already starting to garner trade opportunities in Ontario because of the attraction of the Pan Am and Parapan American Games.

In recognizing some of the work done by some of the collaborators of those games from across North and South America, we've garnered much more interest and a tremendous degree of attention, which is an element of interest—not just socially for the well-being of athletes for the years to come but economically as well, because of the tremendous amount of infrastructure, stadiums and

investments that are being made to attract more opportunities in the future.

In 2014, in our budget, we announced the government's new mandatory provincial pension plan, known as the Ontario Retirement Pension Plan, or the ORPP. Much has been spoken about what that will mean. The ORPP is an integral part of our government's plan to invest in people and help working Ontarians build a more secure retirement future.

The government intends to implement the ORPP in 2017. It coincides with the expected reductions in employment insurance premiums to businesses. The ORPP is being designed to target those most at risk of under-saving, particularly middle-income earners without workplace pension coverage, who will need to effectively balance their retirement income security because it, too, will impact them as it impacts on businesses.

The Honourable Mitzi Hunter, my Associate Minister of Finance responsible for the ORPP, has already begun work towards the pension plan's launch in 2017.

When the global economic recession struck in 2009, the federal and Ontario governments worked together to ease the work and the worst effects of that downturn. The collaboration that existed then to stimulate some of that growth is still needed to secure long-term productivity and prosperity and build a strong Ontario within a strong Canada today. Ontario continues to take important steps to deliver on its plan and build a strong and sustainable fiscal foundation. It is critical, then, that the federal government avoid unilateral actions that would negatively impact the people of Ontario and take actions that actually put the province's fiscal plan at risk.

Some will say, "Cut as best you can. Take greater measures of austerity." Some will say, "You've taken too many measures of austerity." But to cut back and strangle the effects of stimulus now will hamper economic growth in our province. Still, because of the effects that we've done, billions and billions—in fact, \$100 billion—in taxes are paid by Ontario to the federal government, and the gap is widening. We have \$11 billion that never comes back. This is the gap that exists, and Ontario has always been a net contributor to the federation all the while. However, it is why we are now calling on the federal government to reform some of the transfer payment systems and treat Ontarians more fairly to enable us to promote growth.

I've heard some say, "Do not go and blame the federal government for us to ask for their money." We're not asking for their money; we're asking for Ontarians' share of contributions, we're asking for Ontario's taxpayers' money and we're asking for something that will enable us to continue to reinvest in the very things that will enable us to continue to grow for the benefit of Ontario, as well as the benefit of Canada.

The province continues to therefore call on the federal government to match Ontario's investments in the Ring of Fire and significantly increase its investments in public infrastructure.

Meanwhile, the province is determined to build a fairer and healthier Ontario. To that end, we have

launched a reinvigorated Poverty Reduction Strategy that aims to end chronic homelessness as well as support and encourage people to find meaningful employment at a fair wage.

Allowing people to realize their full potential reduces poverty and makes good economic sense. The government is taking action to help low-wage workers who struggle to make ends meet, including raising the minimum wage to \$11 per hour, which is now the highest of any province in Canada, and it is indexed.

We realize that's not all that we can do. We must also help those who own and drive a car to and from work. We know that many require it. That's why Ontario reforms are aimed at fighting insurance fraud and abuse in the system in order to make auto insurance more affordable for all Ontarians. We've taken steps this week to pass legislation to enable us to do just that.

The Chair (Ms. Cindy Forster): Minister, you have about two minutes left.

Hon. Charles Sousa: Thanks, Madam Chair.

We talked about business and small business, recognizing that it is the backbone of much of what happens in the province of Ontario. I'm going to read from page 47 of our fall economic statement. It reads as follows:

"Reducing Regulation for Business

"Ontario is working to create a regulatory business environment that will help business to grow. Through the Open for Business renewal initiative, the Better Business Climate Act, 2014, if passed, would ensure that regulatory burdens are being further reduced and smarter regulatory practices are being adopted. Doing so would help business save millions of hours in time and \$100 million in costs by 2016–17.

"Every year, the government will report on the efforts of ministries to further reduce the regulatory burden on business by at least one initiative per ministry. The government is committed to reducing the regulatory burden while protecting the public interest, including health, safety and the environment."

We recognize the importance of improving and growing small business in our province. By maintaining a very dynamic and successful climate, we now have the largest number of start-up companies here in Ontario than all of Canada combined. That is a strong indicator of the vibrancy and the innovative nature of the province, and it's a good indicator of where we're going to go. We've taken actions already by removing the employer health tax exemption, and we've put forward a five-point small business energy savings plan to make them more competitive. Of course, we have established some venture capital by creating new funds—in collaboration with the federal and private sector, by the way—to provide access for start-up companies.

Looking forward, we will soon be working on our next budget. Rest assured this government is continuing to pursue its mandate for action. We will continue to invest in people's skills and talents. We will build modern infrastructure and transportation networks, creating a supportive and dynamic business climate and strength-

ening Ontario's retirement income and services. This government's priorities and our determined efforts will make every dollar count, and that will help eliminate our deficit by 2017-18. This will create opportunity and security, build Ontario up and, at the same time, eliminate the deficit, enabling us to be more responsible in the way we balance our books.

Thank you so much, and I'm happy to take questions.

1630

The Chair (Ms. Cindy Forster): Thank you. We'll now move to Mr. Fedeli of the official opposition for 30 minutes.

Mr. Victor Fedeli: Thank you very much. Welcome, everybody. Minister, it's always a pleasure to see you. I won't be commenting individually on each one of those lines that you had mentioned. I had already given my hour-long rebuttal to each and every one of those lines. But I will start with the fall economic statement. I'm sorry; actually, I want to go back to public accounts of only a few weeks earlier.

On page 70 of the public accounts, we see that in 2013-14, the actual revenue from transfers from the government of Canada was \$22.277 billion versus the 2012-13 actual revenues from the government of Canada of \$21.661 billion. There's quite a substantial difference here. Our increase from the federal government is over \$600 million, yet I have heard you and the Premier consistently suggest in the Legislature that our revenue from the federal government is actually down by \$600 million. Your own ministry's public accounts show that it is up by \$600 million. Can you clarify which of these statements is correct? I'll send over a copy, actually.

Hon. Charles Sousa: Yes, I'm happy to. I'm not sure if you have the fall economic statement. The most recent statement, on page 135, has a net contribution to equalization since 2012. It clearly illustrates that Ontario's percentage and dollar amounts of net contribution is in fact greater than the others. In other words, we do not get as much of the potential revenue. The \$640 million that you make reference to happened last year when the federal government actually cut—in fact, every other province got an increase. Transportation protection was normally the case. Ontario has always contributed to protecting other provinces that were unduly hurt by equalization payments and the formula.

Mr. Victor Fedeli: But that's not the area—Chair, that's not what I am asking.

Hon. Charles Sousa: No. Madam Chair, to clarify, I'm answering the question. This is what happened: We asked for that same protection that we have always provided others. That didn't come through. We became the only province to have actually have been cut where every other province got an increase. Furthermore—

Mr. Victor Fedeli: But how can you say "cut" when it's \$600 million higher?

Hon. Charles Sousa: Madam Mayor—Madam Chair, they changed the equalization formula—

The Chair (Ms. Cindy Forster): I used to be a Madam Mayor.

Hon. Charles Sousa: Yes, no kidding. They changed the equalization formula when we became eligible—

Mr. Victor Fedeli: But I don't understand how you continue to say "cut"—

Hon. Charles Sousa: —so as not to receive the same amount that was eligible. The point being, we still are a net contributor—

Mr. Lou Rinaldi: Point of order.

The Chair (Ms. Cindy Forster): Point of order, Mr. Rinaldi.

Mr. Lou Rinaldi: Madam Chair, this is supposed to be a question and answer. The member, Mr. Fedeli, asked a question, and I don't think the minister interrupted him. He listened intently.

Mr. Randy Hillier: That's not a point of order. That's not a point of order, Lou.

Mr. Lou Rinaldi: And I would ask, Madam Chair, that the—

Mr. Randy Hillier: We ask the questions; he answers them.

Interjections.

The Chair (Ms. Cindy Forster): Mr. Hillier.

Mr. Fedeli asked the questions. If you want to move on to something else—

Mr. Victor Fedeli: Well, I would like an answer, but to the actual question that I asked—is what I was looking for.

Hon. Charles Sousa: I'll give you the answer, if you allow me—

Mr. Victor Fedeli: My question was, is the \$22.277 billion that we received this year greater or not than the \$21.661 billion we received the year before? Is it not \$600 million greater receipts from the federal government? It's a simple question.

Hon. Charles Sousa: The answer is, the actual amount received in 2013—the budget amount was \$22.475 billion; we received \$22.277 billion. The actual in 2012 was only \$21.661 billion. The changes have occurred—

Mr. Victor Fedeli: So the answer is yes.

Hon. Charles Sousa: What I'm also saying is, the relative increases in Ontario's contribution to the federation went higher.

Mr. Victor Fedeli: But that's not what I'm asking. I got my answer—

Hon. Charles Sousa: In the relative terms, they are not allowing Ontario to keep pace with the amount that is given to the other provinces.

Mr. Victor Fedeli: I got my answer. The answer was yes.

Hon. Charles Sousa: The other provinces have received greater benefit as a result.

The Chair (Ms. Cindy Forster): Minister, Mr. Fedeli wants to ask his questions.

Mr. Victor Fedeli: So I did get the answer. Even though we've never received equalization payments in modern history and receiving over \$3 billion more, we did receive \$600 million in additional federal funding than we received the year before.

So I sent over this morning—

Hon. Charles Sousa: I had it on my *[inaudible]* page 120. It's very clearly stated, exactly what is being received and what is not.

Mr. Victor Fedeli: Yes. I've already got my answer, and I appreciate it.

This morning in question period, I sent over the confidential advice to cabinet from February 16, 2013, which we all received:

“Revenue Tools: Considerations....

“Any increase in taxes would have negative long-run macroeconomic impact on GDP and employment.” This is from the Ministry of Finance, the Ministry of Infrastructure and the Ministry of Transportation—confidential advice to cabinet.

“Preliminary analysis indicates a considerable range in the long-run macroeconomic impacts of potential revenue tools....

“Payroll taxes would have the largest negative impact on employment....

“Most of the proposed revenue tools would need to be structured as taxes....”

The economic impact of the payroll tax—of all the categories, seven categories, the only one that falls in the largest negative impact, overall economic impact, is the payroll tax. The effect on real GDP is down 18%, the employment impact is down 18,000 jobs, and the long-term behaviour impact states: “Lower business investment, relocation of business to other jurisdictions, reduced work effort”—

Mr. Han Dong: Point of order.

The Chair (Ms. Cindy Forster): Point of order, Mr. Dong.

Mr. Han Dong: Point of order, Madam Chair: I think the member opposite is referring to a document that is not part of the estimates, and we—

The Chair (Ms. Cindy Forster): That's actually not a point of order.

Mr. Han Dong: I don't have a copy of that, actually. He said that we all do have it. I don't have it.

The Chair (Ms. Cindy Forster): Mr. Dong, it's Mr. Fedeli's 30 minutes. If he wants to use all 30 minutes to make a statement, it's his right to do so.

Mr. Victor Fedeli: Thank you. So I'll repeat that: The long-term behavioural impact—this is on the record from the Ministry of Finance to the Premier and the finance minister—is that this payroll tax would “lower business investment, relocation of business to other jurisdictions, reduced work effort, out-migration of people.” And the direct people it affects are business owners and employees.

So my question to you, Minister, is: When did you receive this document that told you of the effects of this payroll tax?

The Chair (Ms. Cindy Forster): Minister?

Hon. Charles Sousa: Madam Chair, it's either misinformed or misinforming, because it's not a payroll tax that we're talking about. I think he's making reference to

the ORPP, which is actually something that's being considered when EI payments come off.

Let's also remind the Chair and the committee that the finance officials from the federal government recognize the positive impact to the economy by providing an enhancement to CPP or, failing that, a supplementary plan to facilitate retirees with higher levels of money, which is their money. None of it comes to the province. None of it comes to the government. It's about ensuring that they have higher disposable income, less reliance on social services and, frankly, with the pool of assets that's developed, it goes to be reinvested into our economy by way of investments in infrastructure.

The Chair (Ms. Cindy Forster): Mr. Fedeli?

Mr. Victor Fedeli: Again, my question was, when did you receive the document?

Hon. Charles Sousa: He's making reference, I believe, to a proposal around Metrolinx, the various ideas for sourcing revenue. That's just one of those documents that was provided a year and a half or so ago. The date of the document is stated as February 16, 2013.

Mr. Victor Fedeli: Would you have received this document on or about that date?

Hon. Charles Sousa: We discuss these matters in terms—we're always looking at what the impacts and what sources and opportunities exist, and we make decisions by being informed by them.

Mr. Victor Fedeli: I'll take that as a yes, that you did receive it back then.

The payroll tax—and yes, I am referring to the Ontario registered pension plan, because if you take \$1,700 off of somebody's paycheque and \$1,700 off of a further deduction and reduce somebody's payroll by \$3,400, you can call it whatever you want, but your own document says quite succinctly that most of these revenue tools would need to be structured as taxes. So I presume that's also a yes, that that is indeed a tax.

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Hon. Charles Sousa: You presume wrong. Madam Chair—

Mr. Victor Fedeli: I want to shift to northern development and mines. I want to talk specifically about Ontera. For those who aren't aware, Ontera is the telecom arm of the Ontario Northland Transportation Commission. Last December, the Auditor General was extremely helpful in shedding light on Ontario Northland and the divestment of it. We understand the Ontera sale will cost taxpayers about \$67 million. This is the sale that went through only a few weeks ago.

I'm looking for direction, Minister. Can you point me to the line in estimates where you've booked the somewhere between \$50-million to \$70-million loss you will take on the sale of Ontera? If there's an exact figure—the auditor didn't have the exact figure that day because there were still negotiations, which are now over. So what is the exact figure on the loss that you will incur on the sale of Ontera? The estimate was \$50 million to \$70 million.

Hon. Charles Sousa: So there are two issues. One, I want to clarify that his assumption is completely in-

correct. By making reference to a document, none of which was actually acted on—I mean, all of the things that he makes reference to were not adopted. So that has to be clarified.

The other thing that has to be clarified is that he's making accusations that—the potential of an employer and employee providing funding for an employee is not a tax. This is something that they're funding for themselves. A tax is going to the province, of which it is not. The province does not benefit from any of those contributions, which go directly to the employee for their benefit, similar to CPP. If the member doesn't feel that that's appropriate, that's certainly his prerogative. But claiming it to be a tax is totally incorrect, Madam Chair.

Mr. Victor Fedeli: I'm asking an Ontario Northland question here—

Hon. Charles Sousa: In regard to the amount of funds that were put forward in respect to Ontera, it was illustrated in our documents of last year—I think it was in the 2013 fall economic statement. There was a provision that was made and there was also a note. But I'm sure that the guys behind me are looking for it right now.

Mr. Victor Fedeli: So initially, the purpose of the fire sale of Ontario Northland, according to the earlier budget, was to save the government \$265 million. I will agree with the minister on one area: Once the Auditor General exposed the truth that it would save \$265 million but indeed cost the government \$820 million to go through with the full sale, they did put a halt, albeit, perhaps, temporarily, on the sale. However, they did indeed go through with the sale of Ontera.

Now, if the mission was to sell off parts of Ontario Northland to reduce the deficit and save the government money, but the sale actually cost up to \$70 million, why did you go through with the sale when there was no revenue?

Hon. Charles Sousa: We work closely with Ontera and Ontario Northland, recognizing the impact it has on the community and recognizing the benefits that we're trying to do to achieve efficiencies and improvements to the system. I mean, the notion of exposing the truth, again, is a misnomer, because we've been working closely with the auditor. We've made the provisions. We've highlighted the issues. It was a very generous contribution and agreement that was initiated. I even understand that the previous government also addressed and was reviewing some of these impacts.

So it's important, I believe, for us to foster an improvement to the system and that's why we've taken the steps that we have. We're looking at maximizing the value to Ontario by looking at those components of the deal that will benefit. In the end, the status quo was inappropriate and not sustainable. So we're making those assessments.

We have, on page 90 of the 2014 budget, the Ontario Northland Transportation Commission. It speaks about where the assets are and improvements to Ontera and why the agreements have been made. As recently announced, the agreement with Bell for the sale of Ontera is vital, efficient and more reliable. Again, we're going to

have to invest in those initiatives—an investment which the private sector can foresee to do better while at the same time protecting the public interest. The status quo was inadequate; we had to take steps.

The Chair (Ms. Cindy Forster): Mr. Fedeli.

Mr. Victor Fedeli: I appreciate that. Your document may suggest the sale to Bell—although I won't agree with it—was vital and efficient, but you also didn't mention it was costly.

My question was, if the whole purpose of divesting Ontario Northland was to save money but the sale of Ontera cost between \$50 million and \$70 million, why would you still go through with the sale if it defeated the whole purpose of your initial mission?

Hon. Charles Sousa: Well, the costs are borne throughout the years, and the operating costs and the continuation of a system that was going to provide losses made no sense. The net present value of that would have been greater. Had we not taken the steps that we did, we would have actually put Ontario taxpayers at risk and more at harm. This was the most appropriate way to safeguard the position.

Mr. Victor Fedeli: I don't agree with that whatsoever—that their operating losses were so great. You need to check what their operating statement would have suggested, from Ontera, before you repeat that sentence, trust me.

The operating expense estimated for Ontario Northland in the 2014-15 budget is \$72.5 million. That's much less than the \$100 million a year ago that your government said when they were trying to justify the sale of Ontario Northland, saying it was costing over \$100 million a year. Will you confirm that that \$100 million was never an accurate number, that it was portrayed only to assist in the sale, and that the actual operating expense for 2014-15 is \$72.5 million?

Hon. Charles Sousa: We're checking to see—if it's not in our books, in the finances at the Ministry of Economic Development—

Interjection.

Hon. Charles Sousa: Yes. They're going to find out where it's at.

Mr. Victor Fedeli: Again, you had announced that the expenses for Ontario Northland were \$100 million a year. You announced that the sale of Ontario Northland in its entirety was to save the government \$265 million. That is in your budget. The Auditor General exposed that that number was not correct because you did not take all of the costs into account and that the net cost to the taxpayer would be \$820 million—not a saving of \$265 million—if all of the assets were sold. Why would you tell us one thing when the Auditor General was a billion dollars away from you?

Hon. Charles Sousa: You just answered your question. You just answered it. If—and we haven't done it, so it's not an "if," so—

Mr. Victor Fedeli: But it is an "if." It's in your budget, a savings of \$265 million, when the Auditor General said that number that was in the budget should have

actually been a positive \$820 million. You're a billion dollars away from where the Auditor General's number is, and that's if it was to be sold. But you based the sale on that number: "If we sell it, we're saving \$265 million." You put people throughout the north in uncertainty for over two years with multi-millions of dollars of investment that did not go ahead in mining and forestry because they didn't know whether there would be a rail line there or not.

You told us it was a savings of \$265 million. The auditor said, "No, it's going to cost you \$820 million." You've got a delta of about a billion dollars there. How can you be so wrong in one budget line?

Hon. Charles Sousa: The Ministry of Economic Development and Trade and Infrastructure Ontario have taken the provisions necessary. We have acknowledged them. We've taken a route that will provide a greater benefit for the province long term, and I disagree with the question.

Mr. Victor Fedeli: I appreciate that you may disagree with the Auditor General's statement. You put in a budget that you will save \$265 million. We called the Auditor General in. She clarified that there is not a savings of \$265 million; there is a cost of \$820 million. The question is: How can there be an error of \$1 billion in one line of your budget?

Hon. Charles Sousa: Again, I disagree with the positioning because we have highlighted in our reports the impacts of that sale and what has happened with regard to them.

Listen, we have been assessed by the Auditor General, given a clean report consistently. We have been addressed by the other authorities throughout Canada, recognizing the integrity of Ontario's numbers far surpasses other governments. We're continuing to be open and transparent, and we've continued to face the challenges that affect us, including this one, a transaction which was very precarious. We had to take additional steps to ensure to protect the best interests of all Ontarians, including those in the north, who rely on these services.

We've tried to maximize the value of those components of Ontario Northland that have greater value and ensure that we improve the net result to Ontarians, and we're proceeding to do so. We've been very open and we've illustrated those numbers in our reports.

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Mr. Victor Fedeli: I would agree that it was a very precarious transaction. Not only was one line of the budget off by \$1 billion, but it put the entire north in turmoil. Men and women at Ontario Northland didn't know whether to send their kids to university or college that year. They didn't know whether to buy a car, whether to move. Businesses all the way up the Highway 11 corridor suffered. They struggled through less sales with Ontario Northland. Families would not spend income because they were not certain whether they would have a job the next year or not. So I would agree with the minister's statement: It was a very precarious situation that they put us in.

I'll turn the rest of my time over.

The Chair (Ms. Cindy Forster): Mr. Hillier.

Mr. Randy Hillier: Minister, I understand you have a banking background. It suits you well in the Ministry of Finance.

I'd like to take you to page 91 of your results-based planning book. I might just state for the record that my questions will be brief. I expect the responses to be brief, and I will not allow the responses to be dragged out.

Minister, on page 91, you have an actual figure under "Transportation and Communication" for 2012-13 of \$77,000; "Interim actuals" for 2013-14 of \$131,000; and an estimate this year of \$523,000, which is the same figure that you had for 2013-14. You talk about leakage. I would like you to explain to me how you can estimate \$523,000 two years in a row when your actual expenditures were a quarter of it. Why would you have such inflated estimate numbers for transportation and communications?

Mr. Scott Thompson: I'd like to introduce Murray Lindo, who is from the Office of the Provincial Controller. He is, in fact, the provincial controller.

Mr. Murray Lindo: Thank you. In response to your question, the provincial controller's office actually holds funds on behalf of numerous corporate programs that a number of ministries operate. So in those cases, we support the integrated financial information system, which is operated by the Ministry of Government Services. We provide funding and support to other programs, as well, in other ministries. They do chargebacks to our allocations for delivery of those services.

In this particular case, there have been a number of upgrades that have been going on with the financial system. We were expecting certain charges to come through, and not all the charges happened in a timely way, just by the project delivery—

Mr. Randy Hillier: So for two years in a row—actually for three years now, we've seen substantially smaller actual expenditures than what you're estimating, by a significant amount.

Mr. Murray Lindo: Yes.

Mr. Randy Hillier: And this is under the Office of the Provincial Controller?

Mr. Murray Lindo: Yes.

Mr. Randy Hillier: So where does that money go, that extra \$400,000 a year that you're budgeting that isn't spent?

Mr. Murray Lindo: These monies are turned back.

Mr. Randy Hillier: They're turned back?

Mr. Murray Lindo: Yes. They're not spent anywhere else. What we do is ask those in program areas to provide us reports in terms of progress, and then any underspending is returned back to the CRF, essentially.

Mr. Randy Hillier: Do you not believe that the estimates should be fairly close to the actual expenditures each and every year?

Mr. Murray Lindo: That is an appropriate budgeting process, yes.

Mr. Randy Hillier: Yes.

Mr. Murray Lindo: And we do ask our partners to provide us reasonable plans and projections. We go

through those each year, working with them. There are circumstances that come along, whether they're project delays or moving on some of these key initiatives.

Mr. Randy Hillier: It seems to be going on for a little while.

Mr. Murray Lindo: Well, I've got a number of partners that are involved, and they're coming at it from different perspectives.

Mr. Randy Hillier: Have you asked these partners to be a little bit more prudent in their budgeting as well?

Mr. Murray Lindo: Yes. We have established what we call formal memorandums of understanding and agreements on when these projects are put in place and exactly what amount should be provided. So yes, we are tightening up on that.

Mr. Randy Hillier: Okay. I'll go to the next one then, Minister. On page 87, you'll see that under "Office of the Budget and Treasury Board" actual expenditures in 2012-13 were \$15 million; actuals in 2013-14 were \$16 million. The estimate for 2013-14 was twice that amount: \$33 million. Once again, you're estimating \$33 million for this year for the Office of the Provincial Controller. What is going on with the Office of the Provincial Controller once again? Or is this other third-party partners once again? But twice the estimates—you're estimating twice what the actual expenditures are.

Mr. Murray Lindo: I'm back in the hot seat.

Mr. Randy Hillier: Yes.

Mr. Murray Lindo: Dealing with all of the components, there are transportation and communication charges. That's mainly IT charges that would occur through data lines etc. The services side deals a lot more with the building of systems and the maintenance of those systems.

I will come back to what are core systems that we ensure are being operated for all of the ministries across the government, the integrated financial system. We have what I would say is strategic ownership responsibility, to make sure that system is provided and available to all ministries and that we can produce things like public accounts and the external reports.

Those systems went through some significant upgrades. Basically, over the past three years, we have been undertaking a major upgrade to that system to get it brought up to the proper version of Oracle and the IT supports. It took a couple of rounds to get to the right implementation plan for that, so some underspending has occurred in order to get the project in place.

The system has actually now been upgraded, so we're going to be seeing some adjustments to that.

Mr. Randy Hillier: But you're one of our watchdogs. You're one of our financial watchdogs. For the last three years now, you have been overestimating by 50% on your budget, and you're one of the people who are there to safeguard the public's interests on our financial expenditures. It certainly doesn't appear to me—I can maybe see one year, but for multiple years, that raises alarms to me, and I would hope that it would raise alarms

to the minister as well, these significant variations between actuals and estimates.

Minister, maybe I'll go on to the next one, on page 83. This is one that's slightly in reverse. I know you've talked a good line about how supportive you are of our municipal partners. If you look at page 83 of your results-based planning book, 2012 actual expenditures under the OMPF: \$592 million; in 2013-14, \$568 million. Your estimate for this year is \$541 million—a continual decrease in funding for our municipal partners as we hear the good song about how you're supporting our municipal partners.

The Chair (Ms. Cindy Forster): You have two minutes, Mr. Hillier.

Mr. Randy Hillier: You might also take a look at the GTA pooling compensation, which has dropped from \$143 million—that's on the same page, Minister—to \$87 million.

In your mandate and every other minister's mandate, we have seen that we have an open, accountable and forthright mandate. When we hear you say that you're supporting our municipal partners but at the same time reducing their funding—how do you reconcile the words and the actuals?

The Chair (Ms. Cindy Forster): You have about one minute and 30 seconds to answer that.

Hon. Charles Sousa: I have Allan Doheny here. He can elaborate on some of the specifics. But let me just say this: OMPF funding is something that we've negotiated with the municipalities. They're all well aware that the reduction is taking place. They're being offset by uploads and other activities to have a net benefit to the municipalities.

But the OMPF funding has been very clear for the last two or three years as to the trajectory and what it is that they'll ultimately get. What they need is predictability and understanding, and we've said that all along. It's highlighted in our letters; it's highlighted in our regards.

Allan, if you want to add a few more things.

Mr. Allan Doheny: Sure. As the minister indicated, this is just one component of the support that's provided to municipalities. The reduction to OMPF was something that was agreed to with municipalities back in 2008 as a phase-down to \$500 million by 2016.

If you look at the other supports that the government has provided—that's primarily through the uploads; so the reduction in OMPF was part of the agreement to upload billions of dollars in social program costs off the property tax base—the total support is actually \$2.2 billion.

1700

That includes over \$500 million through the OMPF and \$1.7 billion through provincial uploads, so—

The Chair (Ms. Cindy Forster): Thank you, Mr. Doheny. Maybe you can—

Hon. Charles Sousa: I can wrap it up. That's actually—

The Chair (Ms. Cindy Forster): No, no.

Hon. Charles Sousa: —again, a 13% increase, to the question—

The Chair (Ms. Cindy Forster): We have to move on, but maybe in your right of reply you could address it.
Ms. French:

Ms. Jennifer K. French: I'm very pleased to have the opportunity to ask a whole whack of questions. I keep asking the same one over and over in question period, so this is kind of a treat.

I'd like to let the minister know that as critic for pensions, I'm going to focus my questions on pensions, so I wonder if Leah Myers is able to join us, or if she's here, if that's a possibility.

If we can start with the fall economic statement, on page 60, you say that you will introduce legislation enabling pooled registered pension plans or PRPPs "shortly." Will PRPP legislation be introduced before the House recesses on December 11?

Interjections.

Hon. Charles Sousa: We'll try it before the session if we can, but yes, it's being introduced within this session.

Ms. Jennifer K. French: Okay. If not, though, in the spring? Is that early—

Hon. Charles Sousa: I think we made a commitment that we would try to get it out by January or February, yes.

Ms. Jennifer K. French: So it's not written and sitting on a desk somewhere, ready to go? I was just curious.

Ms. Leah Myers: We're working on the legislation—

The Chair (Ms. Cindy Forster): Could you identify yourself, please?

Ms. Leah Myers: I'm sorry. I'm Leah Myers. I'm the assistant deputy minister for income security and pension policy at the ministry.

We're actively working on the legislation now.

Ms. Jennifer K. French: Thank you. When the legislation takes effect, so, specifically the PRPP legislation takes effect—will that be as soon as it's passed?

Interjection: That's the ORPP.

Ms. Jennifer K. French: Sorry. Will the PRPP legislation take effect as soon as that legislation is passed, or is there going to be a waiting period? Is it going to be in effect immediately?

Hon. Charles Sousa: BC is releasing theirs now. Alberta—I mean, none of it has come into effect. They haven't taken steps necessary in order for it—we're trying to follow suit with the other provinces on this.

Ms. Jennifer K. French: With the PRPP legislation?

Hon. Charles Sousa: With the PRPP, yes.

Ms. Leah Myers: That's right, and in all other provinces there's been a significant amount of regulations that are required under the PRPP act in order to enable it to be administered. So we'll be doing the same.

Ms. Jennifer K. French: Okay. Thank you. Also on page 60 of your fall statement, it says that the Ontario Retirement Pension Plan or the ORPP legislation, will be introduced "shortly." So again, same time frame? Are you looking to—

Ms. Leah Myers: We're actively working on that as well and are hoping to introduce it soon.

Ms. Jennifer K. French: In sort of a similar time frame, or is "soon" relative? Will they both be coming out at about the same time?

Hon. Charles Sousa: The ORPP is going through consultations right now, so it will develop, but they'll take a little bit more time. As you can appreciate, there are a number of factors that have yet to go in. We'll probably have to introduce legislation in 2015, and there are some three pieces to go. So PRPP will come out before ORPP.

Ms. Jennifer K. French: Okay. And that PRPP legislation that will be tabled shortly—is that going to be followed by more detailed legislation or is that the only PRPP act that's going to be introduced?

Ms. Leah Myers: We're committed, as was mentioned in budget 2014, to introducing legislation that's consistent with the federal framework, and that was one bill, as I mentioned, with a fair amount of regulations. That's our intention and that's what the other provinces have mostly done as well: introduced a bill similar to the federal legislation, developed the regulations, and then the act comes into force.

Ms. Jennifer K. French: Thank you. Similarly then, so talking about the—that was the PRPP legislation. The ORPP legislation that is going to be tabled shortly following the PRPP, but in short order at some point—it says on page 60—it's described as beginning "the process of fulfilling" the government's "commitment to introduce the ORPP." I'd like some clarification as to what that means, because it sounds quite tentative relative to your other stated intention with the PRPP legislation.

Just to clarify, the ORPP legislation that you've said will be tabled shortly: Is that going to be followed by more detailed legislation down the road?

Ms. Leah Myers: We are expecting that it would require, potentially, up to three different pieces of legislation to implement the ORPP, given its complexity and given the need to establish an arm's-length entity to administer it. So, unlike the PRPPs, it will be followed by additional bills in subsequent years, as the minister mentioned.

Ms. Jennifer K. French: Is there a model that that's following in terms of—when you say the three parts, is there a breakdown of those three parts?

Ms. Leah Myers: We're working on just what the legislative elements need to be with legal counsel. This is the first of its kind in Canada in terms of this type of plan, so we're moving carefully on ensuring that we have the right legislative framework developed and we'll be beginning that process with the bills shortly.

Ms. Jennifer K. French: One would hope so, so that's good.

Mr. Scott Thompson: I think it's also important to point out, as the minister touched on, that in order to get the details of the legislation and of the program right, Minister Hunter will want to be doing a consultation exercise. A lot of the consultation and the learning that she'll have from that process would have to be drafted into the legislation.

Ms. Jennifer K. French: I think that's what was sort of making us wonder about what was going to be introduced shortly.

Hon. Charles Sousa: There are a number of things that have to be taken into consideration: the amounts, the contributions, the comparable plans, the thresholds for low income, the phase-in period, the framework. I mean, 2017 is the date that we want to release the ORPP; to get there, we've got a bit of work ahead of us. PRPPs, though, will be out before that.

Ms. Jennifer K. French: Okay. Actually, I do have a couple of, I guess, design-issue points.

Would all employers who do not have a workplace pension plan, are federally regulated or are below a certain size be required to set up a PRPP? I know that this is how the Quebec version of the PRPP works.

Hon. Charles Sousa: We're not introducing or talking about a mandatory PRPP. It's a voluntary system. What we're talking about is, to establish the framework for the ORPP, to determine the exemptions that will be eligible, we have yet to have that discussion, because we're going through those consultations. You're going to ultimately get into—

Ms. Jennifer K. French: It was specific to the PRPP that I was wondering if it was mandatory. So you've said voluntary?

Hon. Charles Sousa: Well, right now we're not making anything mandatory. Right now, the ORPP would be an employer-matched base with the employee.

Ms. Jennifer K. French: Okay.

Ms. Leah Myers: If I could just add to that, because you mentioned Quebec: What Quebec has done, unlike the federal government and unlike the other provinces, is made it mandatory for employers that employ more than five people to offer it to employees. It's not mandatory that employees participate. There are no other aspects of it that are mandatory, except that there's an obligation on employers to make it available to their employees. Quebec is the only jurisdiction that has done that.

Ms. Jennifer K. French: Okay. So we're not planning to follow suit at this time?

Hon. Charles Sousa: Well, we're going through the process of determination of the Ontario Retirement Pension Plan. The PRPP and the discussions thereof—we have yet to have that debate, so we will proceed when it comes forward.

Ms. Jennifer K. French: Thank you. Again with the PRPP specifics, and this is actually what I made reference to—I've asked this three times in question period and it's on the order paper, but I'm going to throw it in here today. Would the PRPP be considered comparable in the context of the ORPP? In other words, would employers with a PRPP be exempted from the mandatory aspects of the ORPP?

Hon. Charles Sousa: I'll let Leah explain this as well, but the exceptions that we are discussing in terms of which workplace pensions are eligible or not have yet to be determined and there's a gamut that is out there now that exists.

The introduction of the PRPP is a voluntary measure. It's not intended to replace the ORPP. Again, that is a discussion that has yet to be determined.

Leah, if you want to—

Ms. Leah Myers: Yes, that's right. The government committed in budget 2014 to a consultation process on what the definition of "comparable plan" will be for the purposes of exempting people from ORPP. As the minister said, we're going to be embarking on that consultation, and decisions will come out of that.

Ms. Jennifer K. French: Yes, and I would expect that they would. It's just a matter of, will there be any PRPP that then is comparable? As you said, there would be a gamut of pensions and different things that may or may not be comparable. I'm asking the question about PRPPs: if those could, at any point, be considered comparable or pensions.

1710

Ms. Leah Myers: That's exactly the subject of consultation.

Ms. Jennifer K. French: Whether PRPPs would be?

Ms. Leah Myers: PRPPs and other vehicles, yes.

Ms. Jennifer K. French: Are you considering any employer exemptions or opt-out provisions in your ORPP legislation?

Hon. Charles Sousa: There are a number of things, and this is why I said we have yet to develop that framework in terms of what's being exempt and what's comparable, recognizing that there are a tremendous amount of workplace pensions that exist now. We also have made it clear that they're not all going to be comparable.

In terms of the degree of exemptions, the more you provide the less the pool of assets available to us to maximize the benefit for the employee or the retiree. Those are the things I'll be taking into consideration. At this point, we haven't determined what that will look like or what that will be because we still want the process to entail—you're asking us to make a decision today on things that we won't complete until after that consultation is—

Ms. Jennifer K. French: Yes. I was curious if you'll be categorically ruling anyone out at this point.

Hon. Charles Sousa: Right now, self-employed is one of the categories that we put in the 2014 budget, degree of size, those who are making low income. There's a phase-in period that we're talking about in regards to the size and scope of companies that are involved.

But, Leah, is there—

Ms. Leah Myers: Specifically around the self-employed, as the minister mentioned, they will be exempt. That's specifically because the ORPP will be a registered pension plan, which means it's eligible for specific tax treatment like other registered pension plans. The Income Tax Act doesn't allow a self-employed person, who doesn't have an employer-employee relationship, obviously, to contribute to a registered pension plan. So unless the Income Tax Act were to be changed to allow for that, self-employed can't be mandated to participate in the ORPP.

Other than that, the other kinds of considerations the minister mentioned are going to be part of the consultation.

Ms. Jennifer K. French: Thank you. Madam Chair, how am I for time?

The Chair (Ms. Cindy Forster): You have about 18 minutes left.

Ms. Jennifer K. French: Fabulous. Let's switch gears, then. We're going to leave the ORPP and PRPP for a minute.

Harry Arthurs made a number of recommendations in his 2010 report on pensions regarding a stronger pension regulator, but the regulations putting those recommendations in place haven't been promulgated.

On page 61 of the Ontario Economic Outlook and Fiscal Review, you say that the regulations that will allow you to implement the changes to the pension regulator will be ready shortly. What is the substance of these regulations? What's taking so long to develop them? Is there a struggle there?

Hon. Charles Sousa: No; and we go on to talk about some of the reforms on pages 62 and 63.

Leah, if you wish to follow through.

Ms. Leah Myers: No, there isn't a particular struggle on them. It's a matter of quite a broad set of recommendations in the Arthurs report and lots of significant pension reforms included in the two bills in 2010.

We're making our way through the regulatory reforms that are necessary. We've done a lot of work—

Ms. Jennifer K. French: So it's just a matter that the process takes a while?

Ms. Leah Myers: That's right.

Ms. Jennifer K. French: But it's in the channels?

Ms. Leah Myers: Exactly. It's on our work plan. We're actively working on that and plan to make progress in 2015 on those pieces.

Ms. Jennifer K. French: Okay. I know that you'd be familiar, then, with the 2012 Morneau report, so what is the status of Bill Morneau's recommendations regarding, in this case, the pooling of the asset management function of various pension and related funds?

Hon. Charles Sousa: We included Arthurs's and Bill Morneau's comments in our previous budget, in 2013. In fact, we've been working with Morneau on some of the reforms that we're putting in right now. Leah can expand more closely, in terms of the issues, in respect to the insolvency concerns or matters in respect to information systems, or disclosure of environmental or social governance issues, or even the transfer of pension benefits from registered pension plans to other plans in other jurisdictions.

Leah, if you wish to talk about Bill Morneau, I'd appreciate it.

Ms. Leah Myers: Sure. Since Bill Morneau's report on the asset pooling framework was submitted, we've been doing some internal work. The minister established a technical working group, co-chaired by two individuals from the ministry and involving a number of the participants of BPS pension plans that could be affected, to look

at some of the design and governance and transition issues that would be associated with setting up the pooling entity. In the 2014 budget the government announced that participation in the asset-pooling framework would be voluntary and that we were targeting legislation to set up the entity in 2015. That's another area that we're actively working on, trying to work through the technical issues and some of the transition issues.

Ms. Jennifer K. French: So they haven't been lost somewhere there. Good.

Hon. Charles Sousa: We're expecting the final report by the end of the year.

Ms. Leah Myers: That's right.

Ms. Jennifer K. French: That would be great. What is the status of the regulation regarding the exemption of the 30% maximum investment rule in Ontario infrastructure by pension funds? Can you take me through the purpose of that change?

Hon. Charles Sousa: Yes. I'll reference page 63 of the fall economic statement, and it makes specific reference to the exemption of the 30% rule for investments in Ontario infrastructure. It was announced, actually, in the 2013 Ontario economic outlook and fiscal review. We made a commitment to removing the obstacles for investing in Ontario's infrastructure by Ontario's pension plans, recognizing that many of them were investing in the UK, Australia, Chile and elsewhere.

"The 30% rule limits the ability of pension plans to take large voting interests in a corporation, potentially restricting pension investments in infrastructure projects. With the removal of this restriction, pension plans may represent a significant new source of capital to support economic growth and job creation in Ontario. A description of proposed regulatory amendments providing for an exemption from the 30% rule for pension investments in Ontario infrastructure was posted for consultation earlier this fall. The government will consider stakeholder responses as it develops regulations to implement the proposed exemption."

Ms. Jennifer K. French: While I appreciate that, because I had read that, is there a behind-the-scenes purpose for the change that isn't so neatly packaged there? Is that it?

Hon. Charles Sousa: I think the main purpose is to encourage Ontario pension companies to invest in Ontario, whereas they haven't been able to do so because of the restrictions and the limitations that this rule has placed upon them—and they want to. There is a great desire to invest in the infrastructure projects in a number of initiatives that we have under way. They have confidence in the province, and they have been investing heavily in others. This enables them to do that.

Ms. Jennifer K. French: If I can take us to Hamilton now, US Steel agreed to assume pension obligations for four Stelco pension plans when it purchased the former Stelco in 2007. Under an agreement struck with the province, the company funds the four pension plans: two each for salaried and unionized staff at Hamilton and Nanticoke. Yes? My understanding is correct? Okay.

The province has provided a \$150-million loan with a 1% interest rate to the company, \$112.5 million of which would be forgiven if the solvency deficiencies in the plans were eliminated by the end of 2015. Is my understanding correct?

Hon. Charles Sousa: Yes.

Ms. Jennifer K. French: Okay. If we consider the current situation, it seems very unlikely that US Steel's pension plan solvency deficiencies will be eliminated by that date, so there is a good chance that they will technically be required to pay the full loan. How will they do that, given their present financial situation?

Hon. Charles Sousa: That's why we're trying to protect the interests of the province and of our pensioners and of our employees, by trying to get ahead of the parent on some of these matters. That's why we took the steps that we did initially, by issuing and filing a notice of limiting the objection with regard to US Steel, and that's why we took that notice immediately upon learning about the thing. But we also recognize that we want US Steel to continue with their operations, and this was enabling them to do that.

Going forward, I can't speculate as to what's going to take place. If it goes before the courts and so forth, we're going to fight to protect the interests of Ontario and protect the interests of our employees and the retirees who are exposed to the pension plan. Ontario is the only jurisdiction in Canada to do a Pension Benefit Guarantees Fund, to which US Steel has been contributing as well.

Ms. Jennifer K. French: US Steel currently contributes \$70 million a year to its pension plans, prorating the money among the four pension plans. Under an Ontario agreement, US Steel is obligated to contribute that amount through to the end of 2015. After that, minimum funding requirements resume under provincial pension legislation. So that basically is, solvency deficiency payments will go way up. Is that a fair way to put it? Is that correct?

1720

Mr. Scott Thompson: They would have to comply with the regular legislation around pension solvency at that point in time.

Ms. Jennifer K. French: Okay. What is the present unfunded liability in each of the four Stelco pension plans?

Hon. Charles Sousa: As they look it up, let me just say this: Based on US Steel Canada's submission in its CCAA application, the court has ordered the company to remit all outstanding and future contributions with respect to defined benefit pension plans in the ordinary course of business such as it will continue to comply with Stelco's regulation. Additionally, US Steel, the parent company, has guaranteed the payment of US Steel Canada's pension contributions until the end of 2015, including payments towards the pension plan's deficiencies.

The degree of the unfunded liability we'll try to determine in a moment, but the obligation rests with the parent. We want to make certain that that is maintained.

As I said all along, we're trying to ensure that we perfect the security on behalf of our pensioners.

Have you got that number?

Mr. Scott Thompson: No, we don't have those detailed numbers with us; I'm sorry. We'll look into that.

Ms. Jennifer K. French: Is that something that we can expect to have at some point?

Mr. Scott Thompson: We'll have to look to see what's available and—

Hon. Charles Sousa: It's before the courts, too, so they've been filed. We'll try to uncover that.

Ms. Jennifer K. French: The Ontario Pension Benefits Guarantee Fund would mitigate a small part of the benefit reduction, as it would guarantee the first \$1,000 per month in benefits. Can you explain to me how that would work in the case of US Steel? Would it help at all?

Hon. Charles Sousa: Well, I can say this: The audited Ontario Pension Benefits Guarantee Fund, in its financial statements as of March 31, 2014, indicated that the fund had assets of about \$574 million. After taking into account outstanding claims from pension plans of about \$50 million or so and accounts payable of about \$11 million, a fair value of the loan payable to the government of Ontario is valued at \$136 million. The PBGF held a net surplus of about \$375 million. So the face value payable as of March 31 is \$220 million. Right now there are about 16 outstanding claims. As of March 2013, there were 17. The superintendent is the one who overviews and is prepared to consider all options when going forward, but our position and our amount is limited to the amount of the fund. Did you want to—

Ms. Leah Myers: Specifically, how it would it apply to US Steel would depend, of course, on the nature of the claim against the PBGF, but the PBGF would operate in response in the same way as it would for any other claim that's being made for it.

Anyway, I'm not sure if you have any other questions about the operation of the fund.

Ms. Jennifer K. French: I'm not sure if I do, either. How am I for time?

The Chair (Ms. Cindy Forster): You have seven minutes.

Ms. Jennifer K. French: Well, we've been very efficient here in getting through these questions. Maybe it's just me. I don't think they had such good luck.

Mr. Michael Harris: Do you want to defer your time to me?

Ms. Jennifer K. French: Not a chance.

I take it back. I do have one more question. The brains behind the operation here: If US Steel defaults on that \$150-million loan and there is a claim on PBGF—your writing is terrible; I have no idea what that says.

Anyway, what we were just talking about—I think we'd like to know what the total claim against the Ontario government is.

Mr. Scott Thompson: I think at this point it's premature to try to speculate what that is. We have to wait for the court process to run its course so we can find out

what the shortfall is for pensioners in each of those four areas when the dust settles on the court process. At that point in time, then, an analysis can be done and application can be made to the PBGF.

Hon. Charles Sousa: And the parent has a guarantee to many of these payments, so we're going to try to hold them to it.

Ms. Jennifer K. French: Thank you. Actually, I'm going to go rogue here and go off-list and back to the ORPP. This is the first time that I've wrapped my head around there being three parts. What are you looking to include in that first piece of legislation that would be able to come out sooner rather than later? So it wouldn't be significantly detailed. Is it—

Hon. Charles Sousa: The framework of the ORPP was pretty specific in our 2014 budget, highlighting the dynamics and so forth. The piece of legislation that will come forward after some of the consultations that are being done will enable us to more specifically talk about the comparable plans, the options that are in or out, the degree of threshold. We're trying to mirror CPP as much as possible, recognizing that it's a target benefit plan, whereas we want to maintain a degree of portability features that would come from this. There are also other provinces that are interested in participating with what we're doing. A technical panel has been established. I don't want to speculate as to how that will look in terms of the outcome of the legislation, but the framework is pretty much in keeping with what we put forward in the 2014 budget.

Ms. Jennifer K. French: The idea of there being three separate—you don't have an idea of what would go in the three? The first part is going to be the shiny introduction, the second part—you haven't thought about what would differentiate those three?

Mr. Scott Thompson: One of the aspects we haven't really talked about, which would probably be the subject of one of the bills, is the operation of the arm's-length entity that is going to have to run this pension plan. As you can imagine, it's a huge, complex structure that we have to put in place to collect the funds, invest the funds and then pay out the funds. That is probably going to be the bulk of one of those three bills.

The last of the three bills would be putting the final touches on and what the final rules are. That would probably be where most of the policy decisions that relate to the items that Minister Hunter is consulting on would be placed. The first one may be mostly what you've seen already in the budget, but enshrining it in legislation and showing the commitment to having it in place.

Ms. Jennifer K. French: It does kind of counter the appearance of leading with the PRPP so far in advance of the ORPP. I sort of have a question mark around that, because it won't have any meat or potatoes or—

Hon. Charles Sousa: There's a big distinction, though, because the PRPP is not requiring a central group to collect the funding. That will all be private sector involvement. One of the big challenges will be the management and the assets and the degree of the pool

that we're dealing with. As you can appreciate, the CPP has a tremendous amount of net benefit to its pension holders because of the tremendous asset strength. The access to collections through the Canada Revenue Agency is also of benefit in recognizing what impact that would have on the province of Ontario, if we're able to co-operate with the federal government in order to enable that to still happen in this endeavour.

All those other things will have to be achieved in subsequent pieces of legislation, and they may require different entities and parties to produce them, be it the collection aspect, the distribution-in and -out provisions, as well as the management of the assets.

Ms. Jennifer K. French: Back to the management piece: You're right; it's going to be a substantial pool—as you've said, arm's-length. It's going to be significantly arm's length? It's going to be enshrined in legislation that it can't be redirected at any point for transportation or anything? It's going to be nicely protected?

Hon. Charles Sousa: The intent is to make this a public plan—recognizing that we have expertise out there already—but we'd be premature to speculate as to what that will be. Even the degree of size of the assets will also be dependent on what structure we bring forward. It will be independent, though, of government. There are no funds that will be directed to the coffers of government, and it is not intended to be a cost to government.

The Chair (Ms. Cindy Forster): One minute to wrap up, Ms. French.

Ms. Jennifer K. French: In the interests of growing that pool, obviously, as substantially as we can, that question about the PRPP being comparable and, therefore, to qualify for an exemption, that's something that I'm looking forward to hearing more specifics on.

1730

Hon. Charles Sousa: We are not saying that PRPP is comparable. That's not what's being said here.

Ms. Jennifer K. French: So have you ruled out there being a comparable PRPP for exemption?

Hon. Charles Sousa: We are going forward to determine which plans are comparable that are out there in the system—

Ms. Jennifer K. French: Which pension plans?

Hon. Charles Sousa: —and once we've determined that through the consultations, we'll know then what to do next.

Ms. Jennifer K. French: So in terms of private investments, you have not ruled those out of being considered comparable?

Hon. Charles Sousa: We have private defined benefit plans in the system. Half of Ontarians probably benefit from a workplace pension, many of whom may or may not be exempt, depending upon what the determination is from those consultations.

The Chair (Ms. Cindy Forster): Your time is up, Ms. French. We'll now turn it back to you, Minister. You'll have up to when the bells start to ring—so probably 20 minutes or so for your response.

Hon. Charles Sousa: To me now?

The Chair (Ms. Cindy Forster): Back to you.

Hon. Charles Sousa: Thank you. There was an internal discussion, an internal document that was referenced. I find that it's being misquoted and I'll share some facts in respect to it.

The Ontera sale: An issue occurred in 2014 where the province of Ontario announced that it had approved the sale of Ontera, the telecommunications subsidiary of the ONTC, to Bell. The sale closed on October 1, 2014.

The province and the ONTC have completed the sale. The reality is that over the past decade, Ontera was not able to generate sufficient revenues to cover its operating and capital expenses, contrary to the line of questioning that was made.

When the sale's processes began, there were very clearly defined criteria that reflected our government's priorities for Ontera. Bell Aliant's offer was selected because it best met our objectives for sustainable employment, service continuity and investment in northern Ontario.

There have been tremendous changes in the telecommunications industry and it no longer made sense for ONTC to run a telecommunications company whose services are being provided more efficiently by the private sector companies. Bell Aliant is better positioned to attract industry partners, invest in capital and respond to the dynamics of advancing technology, providing competitive alternatives to both residents and businesses across the region.

Our government has committed to a \$15.1-million investment that will be matched dollar by dollar by Bell Aliant and result in a \$30.2-million update to fibre network systems and towers and station upgrades. We're working towards a sustainable ONTC that is able to provide the vital transportation services and infrastructure that supports economic growth in northeastern Ontario.

I must say that the PC Party failed to mention any of this in their platform. I can say that some of the concerns in regard to the sale are noted, but—and this is a quote—“Households and businesses in northern Ontario will continue to benefit from vigorous competition in the provision of wireline telecommunications services.” That was stated by the Commissioner of Competition on October 1, 2014.

So saying that, I'm proud of our government's sustainable path forward for ONTC that provides certainty for northeastern Ontario. The matter has been challenging. Let me be clear: Selling Ontera was less expensive than continuing to run it. Even with the short-term costs of the sale and the payback period, that is, within two or three years, proceeds from the sale include \$6 million in cash and an estimated \$9 million in long-term revenue to the ONTC through a fibre licence agreement with Bell Aliant. Our government is moving forward to ensure sustainable operations, continued economic growth and a strong transportation network in northeastern Ontario by transforming ONTC.

Another line of questioning that I heard today was around the Ontario pension plan. I'm finding it inter-

esting that, on the one hand, there's a concern that is recognized, I think, by the NDP about how important it is for us to help find security for those who are most vulnerable, who do not have a workplace pension. What we're trying to do, of course, is encourage people to save and protect for their retirement, be it voluntary, be it through CPP, and preferably through an enhancement to CPP, and failing that, through a supplementary plan that Ontario is introducing, which has support and interest by other provinces.

For some, then, to suggest that the monies being invested by employees—supported by their employer—to sustain and provide for that long-term security for the benefit of future generations and for their retirement, are a tax—not on the employer, because what happens is, if we don't take these initiatives and these steps, there will be a tax on social services and social demands.

You have to appreciate that almost 50% of Ontarians, who do not have a workplace pension and are reliant only on CPP and OAS at \$12,000 or even \$10,000 a year—it's not sufficient. They work, and they find themselves suffering, even week to week, to try to make ends meet. This is a means by which to protect them. It's also important to provide voluntary measures in other avenues where they can benefit from a greater pool of assets at greater returns to them, to enable them to have less expensive alternatives to foster some of those investments.

I've heard some suggest, “You know, let people figure it out themselves. Why should they rely on government?” It's not about government. This is about the people themselves making those investments, and saving more, as a supplementary plan. Then, taking steps for financial literacy and offering some of these alternatives enables them to then provide greater security.

Keep in mind that there are a number of them that will invest in their homes and in real estate, but there are many that can't and are unable to. This is a step forward to provide greater support, especially for the middle class who are most vulnerable here. Those on the low-income scale are also being supported right now. Those at the higher end have a lot of avenues and a lot of opportunities by which to foster and protect their retirement. Those in the middle, who are finding themselves with lower revenues—and we've got to recognize that the average income for the middle class is—I don't know what the number should be; it's \$80,000 or \$60,000, and it's inadequate.

The supplementary plan that we're providing in this Ontario pension plan will almost equate to that of CPP, so it's credible and it's important for us to foster that opportunity without impacting negatively on economic growth. We're doing this at a time when our economy will continue to boom. We're doing it when EI payments and other matters are being taken off the system, so employers have more space by which to foster it. It will also enable an attraction for employees to participate. The outcome and how it will look will be dependent, then, on the consultations that we're having.

I find it somewhat disheartening to hear some members of the House criticize the benefits of long-term eco-

conomic growth by these investments being made—by employees and employers for themselves, no less—to reinvest in our economy. I also recognize that, had steps not been taken to initiate and introduce CPP in the first place—imagine the outcomes that we would have to deal with today.

Had the federal government of the time not taken the steps necessary to enhance CPP then—the current government of the day prides themselves, in fact, brags about how great CPP is, how well-funded it is, how important it is to our society and how important it is to benefit those who are going to be retiring with a very secure asset-management pool that is investing and providing for greater opportunities for all of Canada.

So, on the one hand, they see the benefit, and even the experts from the Ministry of Finance federally have stated the long-term benefits that enhancing CPP would have on our economy, on our employees and on our employers. For that not to continue, or to not foster additional support, I think, is disheartening, and I would prefer to see some greater understanding of that impact.

We are the lowest-cost government in Canada now because of the measures we've taken. We are also the lowest-cost jurisdiction in North America and in the OECD countries. When you look at our CIT—our corporate income tax—and our small-business tax combined, it's lower than the rest of North America—

Mr. Randy Hillier: With the biggest debt.

1740

Hon. Charles Sousa: You're incorrect. You're making assertions that are totally false. And because of that dynamic business environment and our competitive environment, we have become the top destination in all of North America, beating out California, beating out New York, beating out Texas and every other province on foreign direct investment.

Now, Ontario has started to take job growth above the national average. That's essential, because we want to continue to provide for that growth and those investments. That is why our unemployment rate is down to 6.5%.

I've got to tell you, though, when we talk about our path to balance and the steps that we've taken, which we've highlighted very clearly, it's a foundation that has been put in our fall economic statement and in our budget: to manage our expenses, to be disciplined in our measures, to find ways to transform government, to enable us to look at our assets and maximize our opportunities and our dividends to the province. We've taken those pillars to build on our stimulus, and we're also looking at our federal government to partner with us.

When I hear that transfer payments are going up in actual dollars—Mr. Fedeli has confused our statistics. Let me take an opportunity to correct the record here. I'll read this email aloud. It says the following—this is an email that was sent to me: "Quite simply, the statement that says Ontario federal taxes are going up year over year is confusing the current year with past years. The 2013-14 public accounts indeed shows that revenue from

the federal government increased by close to \$616 million from 2012 to 2013. However, in December 2013, the federal government provided Ontario with its outlook for major federal transfers for 2014, the current fiscal year. At that time, the federal government indicated that moving into 2014-15, major federal transfers like the Canada Health Transfer, the Canada Social Transfer and equalization would be going down by approximately \$641 million, compared to what we received in the previous year 2013."

That is a fact, and it is provided publicly on the federal finance website and in Ontario's fall economic statement on page 120.

The key to understanding this is by comparing the two current fiscal years in question. Since 2010-11, the federal government has provided \$2.2 billion in total transfer protection payments to seven other provinces that would have otherwise experienced lower payments in their major transfers from one year to the next. But just as Ontario would have qualified for the total transfer protection program in 2014, the federal government unilaterally decided to cancel it. As a result, Ontario was denied \$640 million in that federal protection payment.

Madam Chair, I appreciate the opportunity to be before us today. I recognize the work that the committee is doing and serving by asking the appropriate questions. It's important that we do so. The estimates process is vitally important, and our budgeting process as well. It also means that our government takes the necessary actions to foster and maintain that transparency and accountability. That's why we report back. This thorough examination is just one of the many ways in which our government is held accountable, and we welcome that opportunity. It's a valuable part of our process.

The direction that we're taking is also very clear. We're building that opportunity, we're trying to secure our future and we are eliminating, and taking the steps necessary to eliminate, our deficit by 2017-18, in a very fiscally fair and responsible way.

I talked a little bit about our path to balance. I talked about maintaining the integrity of our revenue and fostering better tax fairness. I talked somewhat about the underground economy and how we can address it. I talked about contraband tobacco and finding ways to look at raw leaf as a supply mix to enable us to foster proper registration and licensing.

But we also need a national strategy around the underground economy. I have worked with the Canada Revenue Agency and the federal government, and we have actually been able to source an additional \$700 million, looking at ways to do that.

Another issue in our path to balance is unlocking the value of our assets. We've spoken a lot about OPG and Hydro One and the LCBO, as well as the whole alcoholic beverage industry. An interim report has been given. We've taken a look. We endorse some of the moves forward, and we're using that to position ourselves in our 2015 budget. But it is just one of many steps necessary to maximize the values and the opportunities for the province of Ontario.

There's also our real estate portfolio. There are also shares that we own. Being a passive investor isn't appropriate for the province of Ontario. We want to reinvest those funds through the Trillium Trust and enable it to foster greater growth.

The other one in our path to balance is our savings targets. As you know, we've beaten our targets—and I've stated this—five years in a row. We're looking at program renewals and transformations to enable us to source an additional \$250 million in savings in 2015 and \$500 million more in 2016-17. We have collective agreements and contract negotiations under way. We're looking at ways to manage more responsibly in our program spending, and that's why we're looking at managing compensation.

As a result of steps we've already taken, we've become the leanest government anywhere in Canada and the lowest-cost per capita. We've held our expenditure growth beyond any other government to date, and now we're proposing it to be less than 1% for the next two years.

Another aspect is our federal relations. We talked a little bit about our federal vertical imbalance and the unilateral cuts that have been made. We have to find a way to encourage all levels of government to work cooperatively for the benefit of the taxpayer—and ultimately, there's only one. If we see that we're not being treated as fairly as other jurisdictions, then it's imperative for us to stand up for the province of Ontario, to reinvest back, to ensure that we don't drag our economy, but facilitate and enable those to go forward. That's why I'm asking that the feds reverse their cuts, continue to invest appropriately in our infrastructure, provide for a national strategy around transit and support investments—just as they've done with oil exploration in the east and in the west. Look at our mining sector. We have a \$60-billion opportunity in the Far North, and we're putting forward a billion dollars in investments towards doing that.

That path to balance is sort of a foundation of what we're doing to achieve our balance by 2017-18. It's built thereafter on four pillars, and those are: our stimulus programs—about investing in people, in their talents and skills. That has created a tremendous amount of jobs already, by investing in those skills that'll be relevant for the new manufacturing age of the future.

We're also investing heavily in modern infrastructure. I've talked about the \$130 billion in infrastructure over the next 10 years, beyond election cycles, to ensure that we continue to stimulate economic growth and maintain a very dynamic and competitive business climate to encourage that investment. That is why we've eliminated and we've increased the employer health tax exemption for 90% of small businesses in Ontario.

We're diversifying our economy. We've got the greatest number of diversified businesses in the province of Ontario than anywhere in Canada combined. Taking a global view by going after markets in China and Asia and South America enabled us to provide for opportunities that we wouldn't otherwise.

Of course, we talked a lot about retirement security and helping middle-income families, which will provide even greater long-term results in the future.

Taking fiscal prudence in that path to balance, building economic stimulus with those four pillars on top will help us build greater benefits for the future.

We talk a lot about our debt and we talk a lot about our revenue, both of which I monitor very closely. We monitor it by way of our GDP-to-debt, and that is a measure of economic growth. You can't look at debt as a stand-alone; you've got to look at our economic potential as well.

Ontario has grown over the last six years, and as a result, we've been able to maintain an adequate debt-to-GDP ratio. We want to improve upon that by also improving our GDP, and we want to improve our debt-to-revenue by improving our revenue with some of the measures that we're taking.

It's not about passing the burden of debt onto future generations. It's about passing the benefit of these investments for their future, and I'm confident that by maintaining this balanced approach, by not taking extreme positions that will hamper our growth, we'll be able to achieve that.

It looks like I've got 13 minutes to continue talking, so allow me to reaffirm—

The Chair (Ms. Cindy Forster): You have about 10.

1750

Hon. Charles Sousa: Okay; 10 minutes it is.

Our new planning process—and I'm very excited about some of the transformations that we've made in the Ministry of Finance alongside our Treasury Board. We have to look at continuous improvement and making every dollar count.

There are key principles that are as follows. We're looking at how every dollar across the government is spent. We're using evidence to inform better choices to improve outcomes. We're working across government to best deliver services around the client. We're taking a multi-year approach to identifying program transformation, opportunities and achieving savings.

There will be a careful review of every government program through four lenses: the relevance of the program in realizing government policies and priorities; the program's effectiveness in achieving desired outcomes; the efficiencies in converting resources into results; and the sustainability of the program over the long term. Through this process, we will identify ways to improve services and outcomes based on measurable results to ensure that sustained funding goes to initiatives that work. At the same time, we'll make tough choices about services that are not performing and do not link to government priorities or no longer serve a clear public interest.

In addition to improving outcomes for Ontarians, the government will meet its annual program review savings, as mentioned, \$250 million for 2014-15 and \$500 million for each of the next two years.

A lot has been said about managing compensation costs, a big part of our budget. We know that compensa-

tion costs account for the majority of Ontario-funded program spending, either paid directly through the Ontario public service or as part of Ontario's transfer payments to schools, hospitals and other public sector partners. That's why the government is taking a consistent, fair and principle-based approach to managing compensation costs in the OPS and across the broader public sector while ensuring that service levels meet public needs.

The 2013 budget stated that all public sector partners will need to continue to work together to effectively manage compensation costs within Ontario's existing fiscal framework, which includes no funding for incremental compensation increases for the new collective agreements. The 2014 budget confirmed that any modest wage increases that are negotiated must be absorbed by employers within the available funding within Ontario's existing fiscal plan through efficiency and productivity gains or other trade-offs so that the service levels continue to meet public needs.

So we're bringing broader public sector partners together to manage those compensation costs and control our spending while protecting public services that Ontarians rely on and working towards a balance in Ontario's budget by 2017-18. We have surpassed and taken the steps necessary to beat our targets. We recognize that the challenges before us, with the economic downturn in 2013—the echo effect is affecting us. But we've recalibrated and are continuing to take the steps that we need to to maintain ourselves within that fiscal target. We've done so by making agreements with AMAPCEO, which stands for the Association of Management, Administrative and Professional Crown Employees of Ontario. We ratified that August 28, 2014. I've spoken already a little bit about what that meant. In the end, it allowed for us to provide security, enabling our employees to negotiate in good faith and provide for net zeros with the savings and the offsets that are built into the plan over the coming years.

Let me stress that the government respects the collective bargaining process and values the work of the Ontario public service employees. We look forward to continuing to work with its bargaining agent partners to reach agreements that are fair and equitable to employees and to the people of Ontario in the current fiscal and economic climate.

Other ways in which we're addressing compensation include changes to benefit entitlements. Changes to benefit entitlements in the public service will bring them in line with practices in the private sector, as well, and other jurisdictions. That will save an additional \$1.4 billion in 2017.

We're reforming some executive compensation in the broader public sector as well and continuing to take action and control of executive compensation costs in the broader public sector. For example, in 2014, we introduced Bill 8, the Public Sector and MPP Accountability and Transparency Act, 2014, which included the Broader Public Sector Executive Compensation Act, 2014, as schedule 1. If passed, that legislation would allow the government to take a principle-based long-term approach

to reform executive compensation. It would apply to designated executives at hospitals, community care access corporations, school boards, colleges, universities and hydro entities.

The proposed legislation would authorize the government to issue a directive to collect compensation information such as salaries and salary ranges, pay-at-risk and benefits. It would also authorize the implementation of compensation frameworks that could set limits on all elements of compensation, including hard caps.

As you know, my colleague Deb Matthews, President of the Treasury Board, has announced that the government plans to bring forward amendments to the proposed legislation that would further enhance the government's authority over executive compensation by extending it to an additional 64 broader public sector organizations.

Another way in which we are working towards eliminating the deficit by 2017-18 is to find a way that's fiscally fair and responsible by ensuring that everyone pays their fair share of taxes.

Ontario, as I've stated already, is competitive. We have a fair tax system, and it supports those critically important programs that Ontarians depend upon. But when a business or individuals don't pay their fair share of taxes, and they're being legitimate, they're affecting and disadvantaging those who do. We have to find a proper way to level the playing field and ensure that everyone is playing by the rules.

We have also looked at some of those recommendations for those who are evading their fair share of taxes, based on recommendations from the Drummond commission. It's something that should be recognized. Oftentimes people are saying we are not acting on the reports that we commission. We have now over 80% of Don Drummond's recommendations that are being acted upon or enhanced. We have already, as I've said, improved the integrity of our tax system by generating over \$380 million in additional revenue.

Even Don Drummond has stated that we've surpassed even his expectations on some of the programs that we've initiated based on some of the recommendations that he made, above and beyond his expectations. So we'll continue—

The Chair (Ms. Cindy Forster): You have about one minute to wrap up.

Hon. Charles Sousa: Thank you, Madam Chair.

I just want to reinforce that we're going to continue working on those programs. We're going to continue looking at ways to address those who aren't paying their fair share, address the revenue leakage that occurs in our current tax system, work in association with the Canada Revenue Agency, even if it requires the government of Ontario to provide additional supports, which, in the end, again, helps the federal government in achieving greater revenue for themselves. We're looking at the underground economy by launching pilot initiatives to focus on curtailing some of the losses that are occurring, again, to ensure that everyone is paying their way.

I look forward to the measures that we've taken around corporate tax avoidance, around contraband

tobacco and, of course, as I've stated, unlocking the very things that enable us to succeed and maximizing the dividends to Ontarians.

We're going to continue to invest in our people. We're going to continue to invest and maintain a very dynamic business climate. We're going to continue to do everything necessary to balance our books by 2017-18 by taking a very balanced, disciplined and pragmatic approach, not by taking extreme measures that put people at risk, but by ensuring that people are better off. That's one of the reasons we are so keen on providing for our retirement security system that will benefit everyone in the end.

Madam Chair, thank you for your time. Members of the committee, I appreciate your patience throughout this process. Thank you.

The Chair (Ms. Cindy Forster): Thank you, Minister, for being here today, and thank you to the ministry staff and thank you to the legislative staff as well for sitting through hours and hours and hours of estimates over the past, I think, six weeks. I also want to thank the committee members for their contributions to the estimates process here.

We're adjourned.

The committee adjourned at 1800.

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Legislative Assembly of Ontario

First Session, 41st Parliament

Assemblée législative de l'Ontario

Première session, 41^e législature

Official Report of Debates (Hansard)

Tuesday 24 March 2015



Journal des débats (Hansard)

Mardi 24 mars 2015

Standing Committee on Estimates

Organization

Comité permanent des budgets des dépenses

Organisation

Chair: Cheri DiNovo
Clerk: Katch Koch

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 24 March 2015

Mardi 24 mars 2015

The committee met at 1556 in room 151.

ELECTION OF CHAIR

The Vice-Chair (Miss Monique Taylor): I call the committee to order for the election of the Chair. Mr. Ballard.

Mr. Chris Ballard: I move that Ms. DiNovo do take the chair of the committee as Chair.

The Vice-Chair (Miss Monique Taylor): Mr. Ballard has moved that Ms. DiNovo take the chair of the committee as Chair. Any debate or comments?

Are members ready to vote? All those in favour, please raise your hands. All those opposed? Carried.

Ms. Cheri DiNovo: Thank you very much.

The Vice-Chair (Miss Monique Taylor): Ms. DiNovo will now take the chair.

The Chair (Ms. Cheri DiNovo): I recognize Mr. Hillier.

Mr. Randy Hillier: Thank you very much, Chair. I would just bring to the committee's attention that there are a number of outstanding questions to various ministers that were requested during the sitting of the estimates committee last fall. Could we encourage those ministers by way of a letter suggesting that those responses are

overdue and that the committee would be appreciative of a timely response?

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Hillier. I understand that I can do that. As Chair of the committee, I can write to the ministers. If you send me that, I'll put that through to the ministers and ask for a response.

Mr. Randy Hillier: If there is—heaven forbid that there is a negative response, but if so, maybe the committee could be called to meet if the ministers do not have a response forthcoming.

The Chair (Ms. Cheri DiNovo): We're jumping ahead of ourselves there. Let's wait to see what the response is.

Mr. Michael Harris: I've got a comment.

The Chair (Ms. Cheri DiNovo): Mr. Harris.

Mr. Michael Harris: Those ministers—Hansard would have a copy of, because we asked specific questions. They'll have receipt of who those are and what the questions were.

The Chair (Ms. Cheri DiNovo): Okay. Anything else? Any other discussion?

Mr. Bas Balkissoon: I move adjournment.

The Chair (Ms. Cheri DiNovo): This is so exciting. I get to do this.

The committee adjourned at 1558.

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Legislative Assembly of Ontario

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Official Report of Debates (Hansard)

Tuesday 26 May 2015

Journal des débats (Hansard)

Mardi 26 mai 2015

Standing Committee on Estimates

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Comité permanent des budgets des dépenses

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Chair: Cheri DiNovo
Clerk: Katch Koch

Présidente : Cheri DiNovo
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 26 May 2015

Mardi 26 mai 2015

The committee met at 0901 in committee room 1.

COMMITTEE BUSINESS

The Chair (Ms. Cheri DiNovo): Welcome, and good morning to everybody. This is the first session of the estimates committee.

I'm just going to read the preamble as to the committee's duties, and then we'll get going.

As you know, the Lieutenant Governor has transmitted the estimates of certain sums required for the services of the province for the year ending March 31, 2016, to the Legislative Assembly. Pursuant to standing order 59, these printed estimates, upon tabling, are deemed to be referred to the Standing Committee on Estimates. All members of the House should have received a copy of the 2015-16 printed estimates when they were tabled on Thursday, May 14, 2015.

The objectives of today's meeting are:

(1) to select the estimates of certain ministries or offices for review by the committee; and

(2) to determine the date on which the committee will begin the consideration of the selected estimates.

Standing order 60 sets out the process by which the committee makes its selections. Essentially, each of the recognized parties on the committee shall select the estimates of either one or two ministries or offices in each of the two rounds of selection.

The official opposition selects first, followed by the third party, then by the government. After two rounds of selection, the committee will have selected anywhere from a minimum of six to a maximum of 12 ministries or offices for review.

In making its selection, each party also determines how much time is to be allocated to the consideration of each ministry. A maximum of 15 hours is permitted per selection. For example, if only one selection is made in a round, that single selection could be reviewed for a maximum of 15 hours. If two selections are made in a round, both of them could be reviewed for a combined maximum of 15 hours. How the division of those 15 hours takes place is up to the party making the selection.

At the conclusion of the two rounds of review, the committee could spend up to a maximum of 90 hours in scrutinizing the estimates of all the selected ministries or offices. Pursuant to standing order 60(c), these selections are to be reviewed in the order that they were chosen, and this can only be changed by an order of the House.

The estimates of those ministries or offices not selected for consideration will be deemed to have been passed by the committee. As Chair, I will report those estimates back to the House, and they will be deemed to be adopted and concurred in by the House.

Any supplementary estimates of selected ministries and offices shall be considered by the committee within the time allocated during this selection process.

In accordance with standing order 63(a), the committee must present a report to the House with respect to the estimates it selected and considered by the third Thursday of November this year. That's November 19, 2015. If the committee fails to report by the third Thursday in November, the estimates and supplementary estimates before the committee will be deemed to be passed by the committee and deemed to be reported to and received by the House.

Do the members have any questions before we begin? Yes.

Mr. Michael Harris: No questions, just—

The Chair (Ms. Cheri DiNovo): Yes, Mr. Harris.

Mr. Michael Harris: I'd like to move a motion for adjournment of the committee until the first sitting day upon returning to the Legislative Assembly.

The Chair (Ms. Cheri DiNovo): So that would be—
Interjections.

The Chair (Ms. Cheri DiNovo): The first sitting day is the 15th of September. Mr. Harris has moved adjournment of this committee until the first sitting day in September, September 15.

Mr. Bob Delaney: Question—

The Chair (Ms. Cheri DiNovo): Yes, Mr. Delaney.

Mr. Bob Delaney: Would you like to do the selection now? I have no problem with the motion as stated, but while we're here, we might as well do the selection.

The Chair (Ms. Cheri DiNovo): Mr. Harris.

Mr. Michael Harris: Basically, this is the reason: We just received the estimates last week, and we just don't have the ability or the time to go through them to the extent that we would like, to actually have the confidence to select our ministries today. That's why we're asking if we can defer, because we're not going to hear any ministries over these next two weeks anyways. We will commence in the fall, so let's pick those ministries then. We just haven't had enough time, since receiving the estimates package, to make a conscious selection today.

The Chair (Ms. Cheri DiNovo): Any discussion? Mr. Delaney.

Mr. Bob Delaney: A five-minute recess, please? Just five.

The Chair (Ms. Cheri DiNovo): Sure. A five-minute recess. We'll reconvene, then at 10 past.

The committee recessed from 0906 to 0908.

The Chair (Ms. Cheri DiNovo): We're going—exciting.

Further discussion on Mr. Harris's motion? Yes, Miss Taylor.

Miss Monique Taylor: I'm in favour of waiting until September. We did get the estimates late this year, so it would be helpful if we had more time to review.

The Chair (Ms. Cheri DiNovo): Further discussion?

Mr. Bob Delaney: The government has no problem with the suggestion, Chair.

The Chair (Ms. Cheri DiNovo): Okay. We seem to have a consensus, then.

Interjection.

The Chair (Ms. Cheri DiNovo): Do we need to vote? We need to? Okay.

All those in favour? All those opposed? Carried.

We are adjourned until September 15.

The committee adjourned at 0909.

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of Ontario**

First Session, 41st Parliament

**Assemblée législative
de l'Ontario**

Première session, 41^e législature

**Official Report
of Debates
(Hansard)**

Wednesday 23 September 2015

**Journal
des débats
(Hansard)**

Mercredi 23 septembre 2015

**Standing Committee on
Estimates**

Organization

**Comité permanent des
budgets des dépenses**

Organisation



Chair: Cheri DiNovo
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 23 September 2015

Mercredi 23 septembre 2015

The committee met at 1547 in committee room 1.

ORGANIZATION

The Chair (Ms. Cheri DiNovo): Welcome. Welcome to the estimates committee, and welcome to all of you who hope that your ministry does not get picked.

I'm going to read a statement.

Good morning, committee members. As you know, the Lieutenant Governor has transmitted the estimates of certain sums required for the services of the province for the year ending March 31, 2016, to the Legislative Assembly. Pursuant to standing order 59, these printed estimates, upon tabling, are deemed to be referred to the Standing Committee on Estimates. All members of the House should have received a copy of the 2015-16 printed estimates when they were tabled on Thursday, May 14, 2015.

Earlier today, the Lieutenant Governor also transmitted supplementary estimates to the House. Pursuant to standing order 62, these printed supplementary estimates, upon tabling, are also deemed to be referred to the Standing Committee on Estimates.

The objectives of today's meeting are: (1) to select the estimates of certain ministries or offices for review by the committee, and (2) to determine the date on which the committee will begin the consideration of the selected estimates.

Standing order 60 sets out the process by which the committee makes its selections. Essentially, each of the recognized parties on the committee shall select the estimates of either one or two ministries or offices in each of the two rounds of selection.

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division of those 15 hours takes place is up to the party making the selection.

At the conclusion of the two rounds of review, the committee could spend up to a maximum of 90 hours in scrutinizing the estimates of all the selected ministries or offices. Pursuant to standing order 60(c), these selections are to be reviewed in the order that they were chosen, and this can only be changed by an order of the House.

The estimates of those ministries or offices not selected for consideration will be deemed to have been passed by the committee. As Chair, I will report those estimates back to the House, and they will be deemed to be adopted and concurred in by the House.

Any supplementary estimates of selected ministries and offices shall be considered by the committee within the time allocated during this selection process.

In accordance with the motion agreed to in the House on September 14, 2015, the committee must present a report to the House with respect to the estimates it selected and considered by November 26, 2015. If the committee fails to report by that date, the estimates and supplementary estimates before the committee will be deemed to be passed by the committee and deemed to be reported to and received by the House.

I'd also add a note that if members could please look at the list and give the correct names of the ministries when they choose them.

Do the members have any questions before we begin? Okay.

I'll start with the official opposition: Mr. Harris.

Mr. Michael Harris: Our first selection will be the Ministry of Energy for 15 hours.

The Chair (Ms. Cheri DiNovo): Third party: Mr. Vanthof.

Mr. John Vanthof: Thank you, Madam Chair. Our choice will be economic development, employment and infrastructure for seven and a half hours, and health and long-term care for seven and a half hours.

Mr. Lou Rinaldi: Did you say health and long-term care?

Mr. John Vanthof: Yes.

Mr. Lou Rinaldi: Thank you.

The Chair (Ms. Cheri DiNovo): Government: Mr. Ballard.

Mr. Chris Ballard: Thank you, Chair. Our round one choice will be aboriginal affairs for 15 hours.

The Chair (Ms. Cheri DiNovo): Back to the official opposition: Mr. Harris.

Mr. Michael Harris: We'll select finance for 15 hours.

The Chair (Ms. Cheri DiNovo): Third party: Mr. Vanthof.

Mr. John Vanthof: Madam Chair: education, please.

The Chair (Ms. Cheri DiNovo): For how long?

Mr. John Vanthof: Fifteen.

Mr. Bas Balkissoon: We missed that. Can I hear—

The Chair (Ms. Cheri DiNovo): Education for 15 hours for the third party.

Government: Mr. Ballard.

Mr. Chris Ballard: Yes. Francophone affairs for 15 hours.

The Chair (Ms. Cheri DiNovo): Okay. My suggestion is that we meet again next Tuesday. We adjourn till next Tuesday at 9 a.m. Is that acceptable to everyone?

Acceptable to everyone, yes. Okay. Wonderful. That was easy.

I declare this meeting adjourned until Tuesday at 9 a.m.

The committee adjourned at 1551.

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of Ontario**

First Session, 41st Parliament

**Assemblée législative
de l'Ontario**

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**Official Report
of Debates
(Hansard)**

Tuesday 29 September 2015

**Journal
des débats
(Hansard)**

Mardi 29 septembre 2015

**Standing Committee on
Estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATES

Tuesday 29 September 2015

COMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Mardi 29 septembre 2015

The committee met at 0900 in room 1.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): Welcome. The committee is about to begin consideration of the estimates of the Ministry of Energy for a total of 15 hours. As this is the first ministry before the committee, I would like to take this opportunity to remind everyone that the purpose of the estimates committee is for members of the Legislature to determine if the government is spending money appropriately, wisely and effectively in the delivery of the services intended.

I would also like to remind everyone that the estimates process has always worked well with a give-and-take approach. On one hand, members of the committee take care to keep their questions relevant to the estimates of the ministry, and the ministry, for its part, demonstrates openness in providing information requested by the committee.

As Chair, I tend to allow members to ask a wide range of questions pertaining to the estimates before the committee to ensure they are confident the ministry will spend those dollars appropriately. In the past, members have asked questions about the delivery of similar programs in previous fiscal years, about the policy framework that supports a ministry approach to a problem or to service delivery, or about the competence of a ministry to spend the money wisely and efficiently. However, it must be noted that the onus is on the member asking the question to make the questioning relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may at the end of your appearance verify the questions and issues being tracked by the research officer. Any questions before we start?

I'm now required to call vote 2901, which sets the process in motion. We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and 30 minutes by the third party. Then, the minister will

have 30 minutes for a reply. The remaining time will be apportioned equally amongst the three parties.

Minister, the floor is yours.

Hon. Bob Chiarelli: Thank you very much, Chair DiNovo. Good morning, everyone. Welcome to all for what I think will be an intimate 15 hours together. So we look forward to the time.

First of all, I'd like to start by introducing the senior ministry officials here with us today: deputy minister, Serge Imbrogno; assistant deputy minister of the energy supply division, Steen Hume; assistant deputy minister of the conservation and renewable energy division, Kaili Sermat-Harding; assistant deputy minister of strategic network and agency policy division, Michael Reid; and assistant deputy minister of corporate services, Rob Burns. We do have an additional person at the table, and she's our special counsel dealing with Hydro One issues. As we get into those issues, she will just give a very, very brief overview of the Ontario Securities Commission requirements with respect to the prospectus and what anyone associated with it may or may not say.

I want to recognize the hard work, dedication and commitment these leaders in the ministry—and the entire staff at the Ministry of Energy—devote to their work each and every day. Our primary focus at the Ministry of Energy is providing Ontarians with a safe, clean, reliable and affordable supply of electricity. Our system delivers on this commitment through generating stations, transmission networks and local distribution lines that, working together, power millions of energy consumers across the province.

I'd like to acknowledge and recognize the hard work of our agencies and partners that together get this job done: the Ontario Energy Board, the Independent Electricity System Operator, Ontario Power Generation and Hydro One, and of course the utilities and local distribution companies who are the face of energy for the people of Ontario. There are approximately 70 LDCs operating across the province. These agencies develop, transmit and distribute sustainable sources of energy to supply Ontarians' electricity needs when and where they need it.

But before I take your questions, I want to use my opening remarks to provide some context and the framework within which the Ministry of Energy operates to move Ontario forward and modernize our energy system.

I would like to begin by outlining some of our core priorities. To do so, I will highlight the five principles that form the basis of our 2013 long-term energy plan, which is called Achieving Balance, and guide our energy policy decisions each day:

- (1) Putting energy conservation first;
- (2) Ensuring cost effectiveness;
- (3) Maintaining reliability;
- (4) Building a cleaner system; and
- (5) Engaging with our communities.

Putting conservation first is the guiding principle of the 2013 long-term energy plan, which means that as we plan our energy needs for the next 20 years, conservation will be the first resource to be considered. Conservation is the cleanest and most cost-effective energy resource we have. The more we save, the less we need to look for sources of new supply.

Conservation initiatives can also eliminate the need and cost to build or sustain transmission and distribution infrastructure. This will result in significant cost savings.

So our aim is to consider conservation as the first option before building new generation or transmission facilities wherever cost-effective. This means adopting a conservation-first mindset throughout our planning, approval and procurement processes. It means bringing that mindset to work with our energy agencies, local distributors and various ministries, and it means building a culture of conservation in Ontario with current and evolving conservation programs. From 2005 through 2013, Ontarians conserved 8.7 terawatts of electricity. To put that in real terms, that's enough to power the cities of Mississauga and Oshawa combined for a year.

We're working with our agencies to ensure they put conservation first in their planning and approval processes.

We're continuing Ontario's long and successful history of establishing the highest minimum efficiency standards for products, helping residential and business consumers to make the most efficient choices.

We're promoting a utility-led approach to make new financing tools available to consumers, including on-bill financing tools to help with the up front costs of energy efficiency improvements. We're exploring energy and water reporting and benchmarking requirements for large buildings, and we're looking at ways of leveraging the sound investment Ontario has made in smart grid and smart meter technologies and related pricing tools to help consumers manage their bills.

On January 1, 2015, Ontario launched its new Conservation First framework to support province-wide and local electricity conservation programs. This new six-year framework is a long-term commitment that builds on the success of current programs and supports the development of new programs to meet local needs and offer more choice for consumers. In fact, every LDC in the province has signed a contract with the IESO undertaking to meet the objectives and to deliver in their respective territories. Local utilities know their customers

best and are in the best position to deliver conservation programs.

The new framework gives local utilities more control over the conservation programs offered in their service area. All local distribution companies, or LDCs, across Ontario have submitted their 2015-20 conservation and demand management plans to the IESO for review and approval. New conservation programs are expected to begin entering the market in 2016. Some of them have already commenced.

Conservation also has a meaningful impact on the cost of power for businesses across the province. Working with LDCs, agencies and the ministry, businesses can harness new innovations to help reduce their costs. For example, Tim Hortons: 245 Tim Hortons restaurants underwent renovations that included energy-saving measures like switching to LED lighting and installing white roofs. Through combined conservation efforts last year, Tim Hortons estimated it would save around four million kilowatt hours of electricity province-wide.

Home Depot has completed 191 conservation projects province-wide. These have reduced energy consumption by more than 29 million kilowatt hours since 2012, enough electricity to power more than 3,000 typical Ontario homes for a year. Conservation is working, and it's meaningful.

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In Ottawa, the home of the Ottawa Senators, the Canadian Tire Centre implemented a new state-of-the-art sport lighting package in their arena. This reduction equates to one million kilowatt hours each year, or the equivalent of 1,745 60-watt light bulbs running 24/7. It saves their electricity bill about 75% on their invoice.

Leveraging more than \$135,000 in financial incentives received through the saveONenergy program, Arbor Memorial was able to green its Toronto-based head office by upgrading its energy-intensive heating, ventilating and air conditioning systems, reducing its overall energy costs by \$100,000 annually.

These impacts are also seen at small businesses across Ontario. For example, a lighting upgrade using financial incentives provided through the saveONenergy program—that's through their LDCs—allowed Lee's Dundas Pharmacy in Toronto to improve the quality of the store lighting while reducing electricity costs by 30%.

These are just some examples of innovative and practical ways that conservation can help drive down costs for consumers large and small while at the same time reducing the cost pressures within the system. These savings in turn offer meaningful opportunities for businesses to invest in their local economy and create jobs.

The next key objective of the ministry is providing affordable energy to Ontarians. In fact, everything we do at the Ministry of Energy is focused on reducing costs for electricity consumers. As we demonstrated in the last long-term energy plan, we have bent the cost curve down and reduced upward pressure on electricity rates.

In the past few years, while we've been investing in a sustainable energy system with infrastructure that will

last for generations to come, we've taken key steps to help mitigate cost increases. Some of the conservation measures that I already mentioned help to mitigate costs very significantly.

By way of example, since 2009, rooftop solar prices have gone down 66%. Non-rooftop solar prices have gone down by as much as 73%, reducing feed-in tariff prices that are expected to save ratepayers \$1.9 billion.

As well, moving procurement of future large renewable energy projects to a competitive procurement model is encouraging development of cost-efficient and locally supported projects. Renegotiating the green energy investment agreement—that's the Samsung agreement—will save \$3.7 billion for ratepayers. The decision to indefinitely defer new-build nuclear saves an additional \$15 billion in potential increases. And removing the debt retirement charge from residential consumer bills at the end of this year will save the average household \$70 each year.

We've also taken key steps to work with other provinces and reduce costs for Ontarians. We negotiated an agreement with Quebec to exchange electricity capacity that will make electricity more affordable and reliable in each province.

The seasonal capacity agreement takes advantage of the fact that electricity demand peaks in the winter in Quebec and in the summer in Ontario. Exchanging capacity allows us to match the generating strengths of the two provinces. In other words, they give us electricity at cost in the summertime; we give it to them in the winter. Incidentally, the province of Quebec cannot supply itself in the winter. It has to import electricity, and Ontario is a big supplier of that electricity to Quebec.

In addition, recently, at a joint cabinet summit in Quebec City, Ontario and Quebec signed an MOU to explore further opportunities to enhance clean electricity trade in order to reduce greenhouse gas emissions and ensure Ontario's system reliability and affordability.

Ontario's focus remains on mitigating costs for Ontario ratepayers. Any deal would only go forward if Quebec can provide electricity at a cheaper rate than it would cost to generate it here in Ontario. We are not going to pay a premium. We're doing it, in effect, to lower our cost base and to get clean energy.

Recognizing that low-income Ontarians pay a disproportionate share of their income towards the cost of electricity, in the 2014 budget we announced the development of the Ontario Electricity Support Program, a new initiative which will provide targeted assistance directly on the bills of eligible low-income electricity consumers. For low- to modest-income families, that would save them an average of \$360 each year off their bills, or \$430 a year when combined with the removal of the debt retirement charge.

We also understand how important it is to help businesses address rising energy costs. We have a range of programs and incentives already in place and that were expanded in the last budget.

The industrial conservation initiative helps many of Ontario's large consumers save 25% on their energy

costs. They do this by reducing the electricity they consume during peak hours. Examples of companies already taking advantage of the ICI program include Vale, a nickel mining company in Sudbury and Port Colborne; ArcelorMittal, a steel producer in Hamilton; and Gerdau Ameristeel, also a steel producer in the GTA.

By participating in the industrial conservation initiative, many of Ontario's businesses have been able to lower their electricity costs by an average of 25%. This program was expanded in last year's budget and now benefits over 300 large businesses.

This is excellent news as it decreases the need for investment in costly new electricity generation by maximizing the value of current assets and, importantly, delivers lower-priced electricity for Ontario businesses and job creators.

For example, Vision Extrusions, an extrusion manufacturing company in York region employing 325 workers, could expect to save approximately \$560,000, or 17%, on its annual electricity cost under the industrial conservation initiative, assuming the company reduces its electricity consumption by 15% during times of highest system demand, which all the participants do.

A second equally important program we have initiated for industrial consumers is the Industrial Electricity Incentive Program, which offers reduced electricity rates for companies starting in Ontario, or expanding operations if they're already in Ontario. There are already concrete examples of companies—there are many examples—taking advantage of the IEI Program across Ontario.

In Pembroke, home of my Conservative critic, the MDF paperboard plant has reopened after being accepted into the IEI Program, creating 140 new jobs for the area. In Whitby, Atlantic Packaging is expanding their paper mill and creating 80 jobs with the help of the IEI Program. In Cochrane, Detour Gold issued a release, in fact, saying that the program saved them \$20 million last year while they expanded what will be one of the largest gold mines in Canada.

A new application window for the IEI Program was opened in 2014 to encourage broader participation. Contracts were awarded earlier this year to companies that included AuRico Gold, FNX Mining Co., New Gold, Resolute FP Canada, Roelands Plant Farms, Rubicon Minerals Corp., White River Forest Products, EACOM Timber Corp. and St. Andrew Goldfields Ltd. These are just some of the ones that have benefited.

By expanding the IEI Program using our surplus power, many new companies can qualify for electricity rates among the lowest in North America, in exchange for creating jobs in Ontario by expanding or starting new businesses.

Another important program designed to help businesses manage their energy consumption and lower their bills is our Demand Response Program, which compensates participating customers for reducing their electricity use during peak demand in response to pricing signals or other criteria. For example, Loblaws, the poster child for

this one, and other large businesses participate in demand response programs by reducing additional lighting and cycling down air conditioning and refrigeration systems in times of increased provincial demand, thereby reducing their electricity costs while saving costs in the overall electricity system at the same time. They are doing this province-wide, in every single one of their outlets.

To support small businesses, we are implementing a five-point small business energy savings plan announced in April 2014, which includes roving or embedded energy managers who will be available right inside small businesses on a fixed-term basis to provide support and assistance every step of the way to create an energy savings program, from applying for incentives to installing energy-efficiency measures. We give them the management to become efficient.

These programs are helping small businesses manage electricity costs and save money by offering enhanced conservation programs. For example, Giant Tiger, which is a countrywide chain, here in Ontario is already saving \$300,000 per year from their participation in just the pilot project offered by Ottawa Hydro.

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While we seek to mitigate pressures by reducing system costs through conservation initiatives and prudent system planning, our government has also implemented a wide range of price mitigation measures for industrial, commercial and residential customers, with the express intention of helping families and businesses manage their bills.

We understand that customers, both residential and commercial, are concerned about rates. There is concern about rates right across North America in every single jurisdiction. Our government is committed to an affordable, clean and reliable electricity system for all consumers. We are determined to find efficiencies that can mitigate electricity costs even further. This is a key priority for our ministry and for this government.

We recognize the key role energy agencies play in keeping the electricity system on a sound financial footing and we can assure you that they, too, are working to keep their operations efficient and cost-effective. I note this will be the first year for the new IESO, which has been merged and has assumed the responsibilities of the former Ontario Power Authority. Our agencies have also identified hundreds of millions of dollars in efficiencies and reduced costs, all to the benefit of rate-payers.

Ontario Power Generation's business transformation initiative has helped to create a more streamlined organization that utilizes resources more efficiently. This initiative has resulted in head-count reductions of about 2,200 positions, and OPG expects to eliminate another 130 positions by the end of 2016, yielding a total estimated \$1 billion in savings.

Our long-term energy plan includes our commitment to clean energy. Renewable energy is playing a key part in our efforts to make the energy system cleaner and

more sustainable. Our target is to have 20,000 megawatts of renewable energy online by 2025. That's wind, solar, hydroelectricity and bioenergy.

Our precedent-setting closure of coal-fired generation in 2014 was made possible in part by the efforts we've taken in renewable energy. That one step, the elimination of coal, has earned Ontario's energy system recognition around the world. In fact, it was the single biggest climate change initiative in North America. It was equivalent to taking seven million cars off Ontario's roads. As a result, we are saving approximately \$4 billion per year in avoided health care and environmental costs.

Certainly, as we get into the carbon dispute worldwide and the reduction of carbon, we're ahead of the game; we're ahead of the wave. We've already done it. I'm sure over the next 15 hours, we'll be able to go into some details on that, at least in the electricity sector.

A major advantage of Ontario's supply mix is the diversity of our generation. The workhorse of our system has been nuclear power, which has been reliable, clean, cost-effective, and a key contributor to Ontario's technology development and job creation. Since the first reactors in Ontario started generating electricity, Ontarians have benefited from emissions-free, safe, reliable and affordable nuclear power.

Today's nuclear power provides 60% of our power, and it will continue to be a mainstay of our system into the foreseeable future under our long-term energy plan. Ontario's nuclear industry generates \$2.5 billion in direct and secondary economic activity in Ontario annually.

Ontario has been operating nuclear power safely and successfully for over 40 years. The Bruce nuclear generating station in Kincardine is the largest single operating nuclear generating facility in the world, and the Bruce and Darlington nuclear stations are recognized by the World Association of Nuclear Operators as top-performing facilities.

However, I know that you are aware that Ontario's nuclear fleet will see 10 units reaching the end of their life cycle over the next 15 years. Their refurbishment will be a major undertaking and also a major economic driver in Ontario. Refurbishment means we get the most value out of our existing infrastructure. The cost, incidentally, of refurbishment is 50% of building new nuclear. Thousands of jobs and opportunities for Ontario workers and businesses will continue to be created.

It should be noted that during refurbishment, both Ontario Power Generation and Bruce Power will be subject to strict oversight to ensure safety and value for ratepayers, including building in appropriate and realistic off-ramps. Negotiations continue with Bruce Power to continue the right refurbishment terms for Ontario.

The Ontario government is taking significant steps to ensure that refurbishment of Darlington is done properly, including a staged approach to refurbishment. The refurbishment schedule is spread out to ensure that subsequent refurbishments will only proceed after the successful completion of the first unit's refurbishment, and an independent oversight adviser provides regular

updates on the progress of the Darlington nuclear refurbishment project to the Ministry of Energy.

We've been very clear that we will not proceed with nuclear refurbishments if there are significant cost or schedule overruns. We have control of that, because the units being refurbished—we're doing them incrementally. So if we run into problems and the system is not working, we will switch. We have plans to switch if it's required, but we are very, very confident that we'll meet our numbers.

A study conducted by Canadian Manufacturers and Exporters has shown that an additional 9,000 jobs are expected to be created as a result of the proposed refurbishment, bringing the total number of people employed in Ontario's nuclear supply chain to approximately 60,000. This is a good thing for Ontario.

I want to emphasize that our greatest challenge, and therefore our greatest imperative, is to see these projects through on time and on budget. Our government is taking the steps to make that happen and to exclude the happening of any of the risks. The story of nuclear power in Ontario is one of constant innovation, and refurbishment will ensure that this track record continues.

Our long-term energy plan includes our commitment to providing a reliable electricity system for Ontarians. One of the ministry's key objectives is to encourage development of a smarter grid. This will bring system-wide benefits such as increased conservation, fewer service disruptions, lower greenhouse gas emissions, less wasted energy, lower operating costs and more job growth.

The smart grid has captured the imagination of Ontario scientists—in fact, scientists across North America and the world, but we are at the forefront here in Ontario—and entrepreneurs and our energy sector, with Ontario supporting 28 Smart Grid Fund projects. We're supporting 28 Smart Grid Fund projects; on the other hand, the private sector and the LDCs are doing many projects on top of that. It's a very, very significant wave that we're coming through in terms of creating one of the smartest grids in the world.

Leveraging private money over 3 to 1, Ontario's funding of the smart grid is leading to new solutions that will increase the grid's reliability, flexibility and responsiveness. The enhancement of Ontario's electricity grid itself is progressing, with more than \$13 billion invested in Hydro One's transmission and distribution systems alone since 2003, perhaps the most notable project being the commissioning of the Bruce to Milton transmission reinforcement project in 2012, a 180-kilometre transmission line enabling 3,000 megawatts of clean renewable and nuclear energy.

This project is a great example of First Nation participation in the energy sector. Developed in partnership with Hydro One, Saugeen Ojibway Nation now holds an equity stake in the project, providing an important economic development opportunity for the member communities.

This is an exciting time for the province, as we move to ensure that the corporation has the structure, leadership

and oversight to continue to deliver clean energy cost-effectively and responsibly to all Ontario consumers.

Other utilities, too, are changing. While our government has been clear that we will not be forcing the consolidation of LDCs, we are creating incentives for voluntary consolidation. Any decisions will be made by LDCs in the best interests of their ratepayers as they consolidate, both in terms of delivering savings on electricity bills and ensuring they continue to receive the reliable service they expect.

Our government is confident that we have the appropriate regulatory and oversight tools in place to ensure that consumers continue to reap the benefits from what is one of the cleanest, most affordable and reliable energy systems in the world.

The fifth and final guiding principle in our long-term energy plan is community engagement. Our government has taken important strides to bring community engagement to the centre of our decision-making framework. Our policy calls upon municipalities and aboriginal communities to develop their own community-level energy plans to better help inform local and regional decision-makers. In fact, we have funding programs for them.

In saying that, we will support these efforts through the Municipal Energy Plan Program and the Aboriginal Community Energy Plan Program.

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Furthermore, we are committed to giving municipalities meaningful opportunities to participate when decisions are being made about siting—

The Chair (Ms. Cheri DiNovo): Just a note, Minister: You have about three minutes left.

Hon. Bob Chiarelli: Okay. Thank you—when decisions are being made about siting renewable energy projects. We are providing for a greater local voice and responsibility. After broad consultation, we have increased local control over renewables siting and brought stability and predictability to procurement.

The IESO is continuing to implement their report and associated 18 recommendations included in the framework Engaging Local Communities in Ontario's Electricity Planning Continuum. For large renewable projects, the IESO has developed a new bidding process in which projects that have the support of local communities will be given priority. We changed the FIT program rules to give priority to projects partnered with or led by municipalities, and to date, many municipalities have approved resolutions to support the development of wind and solar projects.

To start off, Oxford county has passed a unanimous resolution that they are supporting moving forward 100% with renewable energy. The projects also include:

—In St. Clair township near Sarnia, the local council have negotiated a community host agreement that Mayor Steve Arnold has said will have financial benefits for the 20-year length of their contract and beyond;

—In North Bay, council has approved two solar projects, and local business owners have already signed agreements with the project proprietors. Councillor

George Maroosis stated, “We talk about the future for our children and grandchildren and what makes sense with renewable energy sources ... and this is good, clean energy”;

—In Leeds and the Thousand Islands, the township councillors agreed to endorse an application for a solar farm, noting that local companies would be hired to build the solar farm;

—Even MPP Randy Hillier: In his riding, one of his communities just passed a unanimous resolution for a wind farm. Isn’t that amazing? Where was Randy?

—In Ramara, near Orillia, a petition with more than 90 names supporting the development of a 60-megawatt solar project was presented to council. The municipality will be paid a dividend of \$1,500 per megawatt, about \$85,000 annually. That can be used for environmental or recreational initiatives.

There are a number of other examples here. I will not have time to finish all my notes with the time available, but we look forward to the questions and we’ll have an opportunity to include these additional matters down the road.

I’ll wind up right there. Thank you.

The Chair (Ms. Cheri DiNovo): Thank you, Minister. Now to the official opposition: Mr. Smith.

Mr. Todd Smith: Thank you, Minister, for the reminder about the long-term energy plan. We’ll be discussing at length a lot of the issues that you brought up, including the siting issues with renewable energy facilities and why different municipalities are now welcoming these renewable energy projects to their communities.

What we’ve been experiencing over the last little while in rural Ontario is unwilling host communities that don’t want to have any part of these renewable energy projects, but suddenly, these companies are offering huge financial incentives to municipal councils that are seeing negative growth in their communities, and therefore a depleted rate base. They need the money and they’re being bribed by companies to locate in their communities, so they’re being put in a very difficult position.

But let’s start with something that you didn’t talk about in your half-hour presentation, and that is the highly unpopular sale of Hydro One. You have no mandate to sell Hydro One—that’s clear—yet you’re going ahead with it anyway, in spite of the fact that most people in the province of Ontario are against the sale of Hydro One.

We had the prospectus that was released a couple of weeks ago. Maybe we’ll dive right into some of the issues that are in the prospectus, but I wasn’t surprised—when you started off, you talked about conservation, which is important to you; I understand that conservation is important. You talked about refurbishing new nuclear, which I know is important to you. It’s something that you’ve talked about in the past. But nowhere in your presentation did you even mention the sell-off of Hydro One, so I’m curious as to whether or not you’re supportive of the Hydro One sale, first of all, considering the fact that there is no mandate for your government to

sell off Hydro One. Would you agree that there’s no mandate to sell Hydro One?

Hon. Bob Chiarelli: I will answer that question in a moment. I just want to ask Sharon Geraghty, who is our special counsel, to do a brief overview of the Ontario Securities Commission requirements—

Mr. Todd Smith: Why don’t we get to Sharon—we’ll get to Sharon eventually, but I just want to ask you some questions, Minister.

Interjection.

Mr. Todd Smith: We’ll get a chance to talk to Sharon. We have 15 hours to spend together here. I was just wondering if you would answer that question, considering the fact that Ontario has not supported the sale of Hydro One—the people of Ontario. And keep in mind that Hydro One has belonged to the people for decades. There was no mandate, there was nothing in your election platform that indicated that you were going to be selling off Hydro One. I’m just wondering, Minister, are you supportive of selling off Hydro One?

Hon. Bob Chiarelli: Ms. Geraghty is here as part of our staff complement, so I’ll ask her to start answering that question.

Mr. Todd Smith: Sharon, with all due respect, I would rather have the minister—

Mr. Bas Balkissoon: Madam Chair.

The Chair (Ms. Cheri DiNovo): Mr. Balkissoon.

Mr. Bas Balkissoon: On a point of order, if I could: The minister has offered the committee to hear from the legal staff on this particular issue before he answers and I think it’s appropriate we allow the minister to have his legal counsel advise the committee what we can ask and what we cannot ask before we proceed with this type of questioning.

The Chair (Ms. Cheri DiNovo): The minister has up to 30 minutes to reply, so you can ask your question again, Mr. Smith.

Mr. Todd Smith: And keep in mind that we do have 30 minutes here, Minister. I appreciate the fact that you had 30 minutes to talk about your priorities, but I want to ask a question to you, Minister. My question to you is: Do you not think, given the returns and the money that we’ve seen flowing into the province from Hydro One over the last many, many decades, a steady revenue stream in Ontario, that the people of Ontario need to keep Hydro One in their control? Do you think they should be selling off Hydro One?

Hon. Bob Chiarelli: I will address the issue of whether or not we had a mandate. I remember very well how time was proceeding prior to the last election campaign. A couple of very significant things happened: Number one, we did have a budget presented prior to the election, which we were unable to proceed with. But prior to the calling of the election, there was an assets council appointed. Mr. Clark was chair of that assets council and his mandate was very, very clear: It was to explore monetizing a range of specific assets. This was before the election campaign. That included specifically energy agencies; it included the Beer Store; it included

real estate assets; it included the LCBO. It was very, very clear.

Prior to the calling of the election, these issues were discussed in question period, they were discussed in the House, and we clearly stated that we were looking at all of our key entrepreneurial or enterprise assets, to look to see if we could monetize those. The energy sector was specifically mentioned prior to the election campaign.

In the budget itself we saw specific statements that referred to changing ownership—potentially changing ownership—of Hydro One, Ontario Power Generation, real estate assets, LCBO and the Beer Store. It was extremely, extremely public that this is a direction we intended to move in and this was an overriding policy.

Now, I'm going to pass it over to the deputy—

Mr. Todd Smith: I would say, Minister, that I'd rather talk to you. I mean, that's what we're having here: a conversation with the Minister of Energy.

Hon. Bob Chiarelli: I'm going to ask the deputy—

The Chair (Ms. Cheri DiNovo): Excuse me, one at a time, please.

Hon. Bob Chiarelli: The deputy is going to respond as well. Please, Deputy.

Mr. Todd Smith: With all due respect, Mr. Deputy, we have 15 hours to together, but I just want to ask the minister about this. Because I know the minister has—

Mr. Grant Crack: Point of order.

The Chair (Ms. Cheri DiNovo): Point of order, Mr. Crack.

Mr. Grant Crack: Thank you, Madam Chair. I believe the minister has the opportunity to pass questions on to support individuals who are here, and I would ask that maybe the Chair could rule that the official opposition not continue to interrupt, and harass, perhaps, the minister when he's trying to—

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Crack. This is the official opposition's time. Mr. Smith.

Mr. Todd Smith: Thank you. This is clearly the politician I'm talking to in the room right now, because this clearly is a decision that was made by the cabinet—

Hon. Bob Chiarelli: Chair, excuse me, I didn't understand. Are you ruling that the deputy cannot speak now?

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The Chair (Ms. Cheri DiNovo): No. I cannot compel you to speak and I cannot not compel you to turn it over to your deputy. I advise Mr. Smith to ask his questions accordingly.

Hon. Bob Chiarelli: The question has already been asked. I've partially answered it and I'm referring it to the deputy to further expound on it.

Mr. Michael Harris: We get to ask the questions.

Mr. Bas Balkissoon: Madam Chair, point of order.

The Chair (Ms. Cheri DiNovo): Mr. Balkissoon—

Interjections.

The Chair (Ms. Cheri DiNovo): Hold on. We are— Mr. Smith, yes, the floor is yours.

Mr. Todd Smith: Do you believe that you have a mandate to sell Hydro One?

Hon. Bob Chiarelli: Yes.

Mr. Todd Smith: Do you believe that the people of Ontario have said that they want you to sell Hydro One?

Hon. Bob Chiarelli: There is discussion and debate around what we're doing, but we stated clearly beforehand the direction we were moving in, that we intended to move in, with respect to repurposing assets in order to fund new infrastructure without borrowing, without taxing and without cutting programs, and that's the direction we moved in.

Mr. Todd Smith: The people of Ontario simply don't agree with you, and I think you've seen that from the various public opinion polls that have come out.

But let's move on. You and the Premier have time and time again stated that your government is going to have control of the board of Hydro One, despite the fact that you're selling off 60% of Hydro One. However, in the prospectus—and we've read the prospectus, we all have in this room, I'm sure. It specifically says, "With respect to its ownership interest in Hydro One Ltd., the province will engage in the business and affairs of Hydro One Ltd. as an investor and not a manager...."

So an investor, not a manager. How can you retain de facto ownership when you're not allowed to act as an owner?

Hon. Bob Chiarelli: First of all, the Ontario Securities Commission does not permit us, as a shareholder, or Hydro One to make statements publicly in any way, shape or form that would be seen to be enhancing the value or control-related issues. I will be very, very cautious in terms of how I respond to you and I will say that if you look and analyze the prospectus carefully and if you do even the slightest bit of research in corporate law and in securities practices, they will indicate to you what de facto control is. We were very, very careful to make sure that we retained the public policy-making issues, protecting the consumer-related issues by legislation that we passed, by governance agreements that we have etc. I'm going to leave it at that.

Mr. Todd Smith: So the Premier—

Mr. Bas Balkissoon: Madam Chair, on a point of order—

The Chair (Ms. Cheri DiNovo): Just a second. Mr. Balkissoon?

Mr. Bas Balkissoon: I asked you for a point of order and you moved on without recognizing my point of order.

Mr. Michael Harris: That's not a point of order.

The Chair (Ms. Cheri DiNovo): Hold on. Point of order, Mr. Balkissoon.

Mr. Bas Balkissoon: I beg my colleague on the other side, I wasn't addressing you. I'm addressing the Chair, which is standard procedure at this committee.

The Chair (Ms. Cheri DiNovo): Okay, please continue.

Mr. Bas Balkissoon: Madam Chair, I've been on this committee for quite a while and the opposition has its opportunity to ask questions—

The Chair (Ms. Cheri DiNovo): We're stopping the clock.

Mr. Bas Balkissoon:—similar to my colleagues. The minister has the opportunity to answer and pass the question to his senior staff. That has been standard practice.

You also read a preamble at the beginning of this meeting and I would ask you to refer back to it and follow what is traditional procedure here. The minister has offered more than once to hear from legal counsel so that the committee could be guided in its questions, and you're actually denying it.

The Chair (Ms. Cheri DiNovo): I'm not denying it. As I said, it's up to the minister and he has the power to—

Hon. Bob Chiarelli: I'm choosing not to say anymore to answer his question. I'm passing it to my deputy.

The Chair (Ms. Cheri DiNovo): Okay, to the deputy, please.

Mr. Serge Imbrogno: Just on your point, in terms of what powers the government maintains, I think one of the major powers the government maintains is the ability to call a vote to remove the entire board. I think that's a very strong power that the government maintains. Maybe you want Sharon to expand on that, but I think that's an important power that the government maintains as it moves forward with broadening the ownership.

Mr. Todd Smith: Let me just expand on that question, if you don't mind, before we go to Sharon. Do you think that firing the entire board at once would be good for share prices of the company?

Mr. Serge Imbrogno: I think it's an extraordinary tool that the government maintains and I think what it does is it ensures that Hydro One considers the interests of all its shareholders, including the province and anyone else who purchases a share. It's a power that the government has. I'm sure it won't use it—only in extreme measures—but it does maintain the authority to do that.

Mr. Todd Smith: And it's just individual board members and not the president and CEO, correct?

Ms. Sharon Geraghty: Maybe I'll start by just introducing myself again. My name is Sharon Geraghty. As you know, I'm special counsel for the government. I do want to explain why and how we're answering questions and the strict securities law rules that we are facing in this public forum. I think it's very important for all of us to understand it, so that you can understand the way in which we have to answer your questions.

The rules that are in place—we're in a quiet period now. That's a term that the securities regulators across the country use, and it will govern both Hydro One and the province, the government, until the last share is sold in the IPO.

Those rules are designed to protect the public interest in two ways: They're designed to ensure that investors base their investment decisions not on what the government is saying publicly but on the prospectus; and they're also designed to ensure that the government does not unfairly promote investment in the company. Investment decisions are between investors and their registered financial advisers.

So there's two elements to this. We have to be very careful in dealing with the prospectus to stay within the four corners of the prospectus. That's a document that is very thorough. It is governed by securities laws as to what is required to be included in it. It contains a very thorough description of the business and it is not the government's place or ability to expand upon or deviate from that prospectus document. We will, in many cases, be referring you to the prospectus. That's a very important legal principle.

The other thing that we have to be very careful to do is not to make statements. This is a public forum. Media might report on it. It is incredibly important to securities regulators that nothing said in this room, even unintentionally, be used to promote investment in the securities. This is a very, very important principle and it's designed to protect the public interest.

On the question you raised about control, the control of a public company like this one will become, like any public company that is listed on the TSX but also like the company right now, it's governed by its board of directors. So the government has—and you'll see very thorough descriptions of the governance agreement in the prospectus. There are a number of provisions in there which are unique and unusual, and give very important rights to the government as a responsible shareholder of the company. It is the role of a responsible shareholder—any controlling shareholder of a public company does not manage the company. It is the board of directors that does that, and the way in which controlling shareholders exercise their investment rights is through the board.

In this particular case, the government has negotiated an arrangement where they will nominate directors to the board. They'll have the ability to view the nominees that are made by the nomination committee. All of the nominees have to meet very high qualification standards and independence standards, and then as the deputy mentioned, there are unique and special rights to cause a meeting to be held to remove the board. The only member of the board that cannot be removed is the CEO, unless the board as a whole removes the CEO, and then that CEO is also removed from the board.

Mr. Todd Smith: Okay. So let's go back to something we have talked about, and that is the CEO and president. We talked about Mr. Schmidt being hired by the Premier with a total compensation package of \$4 million. I think that is completely distasteful to the people of Ontario—and keep in mind we're here to represent the public's interest as well as members of the official opposition and third party in the fire sale of Hydro One.

It's unfathomable to the people of Ontario when they see a new CEO and president being hired at Hydro One with total compensation of \$4 million, Minister, when a lot of families out there are struggling to pay their electricity bill every month. How can you justify paying a total compensation of \$4 million while keeping the former president on as an executive as well?

Ms. Sharon Geraghty: I just want to caution the minister again. When we're talking about the business of

Hydro One, and these questions relate to the business of Hydro One, these are decisions that are made by Hydro One and the compensation philosophy of the company is thoroughly described in the prospectus. So I just want to make sure—obviously let you go ahead—but I just want to make sure you keep that in mind.

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Hon. Bob Chiarelli: I was just about to say that that decision was made by the board. At the time the prospectus was made public, and we had an availability, there was a lot of discussion around management compensation and where the board basically positioned the new CEO in terms of compensation. It was very, very clear that it was not at the top range. People have looked at different comparables. I think the average for that type of company in North America is something like \$7 million.

I want to state as well that my understanding of the contract and the prospectus is that the base salary is \$850,000; that it would be very difficult to achieve the higher amount of \$4 million; that perhaps it might happen in one out of five years; and that it's based on results, the dividend policy, the dividends that they're returning to the shareholder, the largest one of whom would be the province.

A large item on the targets for the CEO is the safety record of the company. The third pillar is consumer service, that consumer service is very, very high.

We also understand that the new ombudsman who is going to be appointed reports directly to the board, and that the governance agreement provides any consumer to appeal even the ombudsman's decision to the Ontario Energy Board, which is a very independent and neutral arbiter in those types of things.

Mr. Todd Smith: So you're fine with the compensation package that the board has approved for the new CEO and president at Hydro One?

Hon. Bob Chiarelli: The decision is explained in the prospectus. The positioning of that type of management salary is very well known. I'm prepared to live with the decision of the board.

Mr. Todd Smith: There's the one area where the province can arbitrarily maintain control, and that is the firing of the board, as we mentioned earlier, except for the president and the CEO.

Again, I just want to go back to my earlier question, that I don't believe was answered, and that is, the only area that you really have control over is firing the board, but do you think that actually values the shares of Hydro One?

Hon. Bob Chiarelli: Before the prospectus was filed, there was a lot of consideration given to public policy issues, and protection of the public-related issues, and the Electricity Act and the Ontario Energy Board Act were amended.

Let's be very, very clear here: Public policy relating to planning in a system—where transmission is going to go; the type of procurement for renewables etc.—that's still completely within the jurisdiction, responsibility and the control of the provincial government.

Mr. Todd Smith: And that's frightening to a lot of people, quite honestly. That is quite frightening to a lot of people. Let me ask you this—

Hon. Bob Chiarelli: Sorry. You don't think it should be with the province?

Mr. Todd Smith: Listen, I know that there are double standards that exist within your government, and we've talked about them at length, and we'll get to them over the next 15 hours. It depends on where the municipality is—

Hon. Bob Chiarelli: So you don't—

Mr. Todd Smith: It depends on where the municipality is, Minister, and I think we've seen this in the past with the gas plant scandal—

Hon. Bob Chiarelli: I think it's utterly amazing—

Mr. Todd Smith: —and we've seen it as well with different green energy projects—

The Chair (Ms. Cheri DiNovo): One at a time, please. One at a time.

Hon. Bob Chiarelli: I think it's utterly amazing that you suggest that the IESO should not have, as an agency of the province, the right to do consultation on planning, and consulting with different regions in terms of what their needs are etc., which is the way it's done now. This is—

Mr. Todd Smith: No, the way it's done now, sir, is that, depending on the political flavour of the day or what the polls are showing, huge gas plants are being cancelled at a cost of over a billion dollars to the taxpayers of Ontario.

Hon. Bob Chiarelli: What has that got to do with—

Mr. Todd Smith: That's the kind of management of our electricity system that we've seen over the last several years. It's politics and not good policy that we've seen from your government.

Hon. Bob Chiarelli: Chair, I don't know what the question is I'm supposed to answer here.

Mr. Michael Harris: We're getting to it.

The Chair (Ms. Cheri DiNovo): Mr. Smith, the question.

Mr. Todd Smith: We're getting to the question.

Let's go back to the board. If the board is removed, according to the prospectus, the government has no say in who is replaced. The only position on the board that the government would have control over appointing is the president and the CEO, who is already appointed, correct?

Hon. Bob Chiarelli: The province has the right to appoint 40% of the directors.

Mr. Todd Smith: The province only has a 40% stake. The other shareholders are going to have 60%.

Hon. Bob Chiarelli: Collectively—

Mr. Todd Smith: Collectively, that's right.

Hon. Bob Chiarelli: —subject to the governance agreement and subject to legislation.

Mr. Todd Smith: Last time I checked, control was 50% plus 1%. You're going to have 40%; the government, the people of Ontario are going to have a 40% stake. That means—

Hon. Bob Chiarelli: I suggest that you do a little a bit of corporate research in terms of what de facto control is and satisfy yourself on that point. I'm suggesting you're wrong.

Mr. Todd Smith: Okay. Let's move on. How much time do I have?

The Chair (Ms. Cheri DiNovo): You have about seven and a half minutes.

Mr. Todd Smith: Okay. Let's go back to the mandate that you believe you have to sell off Hydro One.

Clearly, the people of Ontario disagree with the fact that you say you have a mandate to sell off Hydro One. It wasn't a ballot issue in the election of last year, but you're saying, and you have already said to the committee, that you have a mandate to sell off one of our most important public assets in Hydro One. The vast majority of people out there will disagree with you on that, yet you're going ahead with the sale anyway.

Much of what's gone on, Minister, has occurred behind closed doors. It hasn't even been carried out by elected members; it has been orchestrated by Ed Clark and his review. As a member of the cabinet, do you not feel that you should have more input as to what is happening in the province of Ontario than the Premier's hand-picked adviser, Ed Clark?

Hon. Bob Chiarelli: As a member of cabinet, I think that we have proceeded extremely well. There is sort of a layering of issues and considerations. One of the first considerations was well before the last election, including the mandate that was given to Ed Clark before the last election, and that was to see whether or not we could repurpose some of our assets to invest in infrastructure.

The public in Ontario—in fact, across Canada, there's a huge infrastructure deficit. Premier Wynne is determined to deal with that particular issue.

Interjection.

Hon. Bob Chiarelli: Sorry about that; I'll speak into the mike.

The repurposing of the assets: If you look at, fundamentally, what it is, it's taking an asset, which is part ownership of Hydro One, and it's converting that into cash, part of which is paying down debt and part of which is going to invest in infrastructure, part of a \$130-billion infrastructure investment over 10 years so that once and for all, we can catch up and deal with the infrastructure deficit—

Mr. Todd Smith: And how much is actually going to go towards infrastructure from this sale?

Hon. Bob Chiarelli: —the point being that that portion of it that is coming from broadening the ownership is not coming from tax revenue, it's not coming from debt and it's not coming from services. It's very, very fiscally responsible management. You're converting an asset, which was part of Hydro One—the cash value of that, and that's being converted into other assets, which are represented in rail projects, roads etc.

We believe that it's responsible to deal with the infrastructure deficit. We believe it's responsible to do it in the way we're doing it, by having a partial ownership

disposal in Hydro One, and that's why we're doing what we're doing. We believe it's responsible.

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Mr. Todd Smith: Well, most of the public believes it's irresponsible for you to do it and you're the first government that has ever had to sell Hydro One to pay for infrastructure. Other governments have built subways and they've built hospitals and they've built schools without selling off Hydro One.

Would you not consider that with the revenue you're generating year after year from Hydro One perhaps it would be in the public's best interest to keep Hydro One in control of the province as a public asset? Do you not think that it would make more sense, as that money is coming in, to direct that revenue to a transit stream or a pool for transit projects?

Now, I know that this has happened before with your government, where you have brought in taxes and that money was supposed to go to a certain area, let's say the health premium.

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have about two and a half minutes.

Mr. Todd Smith: The health premium was supposed to go to help preserve our health care system, but clearly that hasn't happened; that's gone into general revenues and has been wasted on things like gas plants.

Do you not believe that it would be in the public's best interest to take the revenue from Hydro One and use that money year after year for needed infrastructure to help erase that deficit?

Hon. Bob Chiarelli: That revenue is there for decade after decade and notwithstanding that, we still ended up with a very significant infrastructure deficit, as every part of the country is in. I know that well, as former regional chair and mayor working with mayors across the city. The infrastructure deficit is over \$100 billion across the province.

Mr. Todd Smith: So you're getting \$4 billion from the sale of Hydro One.

Hon. Bob Chiarelli: Speaking of investing in infrastructure, the average investment in infrastructure under the previous Conservative government was \$2 billion a year. The average investment in infrastructure under the Liberal government is somewhere around \$11.5 billion to \$12 billion a year, and there is still an infrastructure deficit.

We have been dealing with it and we still haven't been able to catch up the greasy pole. We are determined, over the next 10 years, that we are going to make it happen and we're taking the tough decisions to make it happen.

Mr. Todd Smith: The best-case scenario, Minister: You're getting \$4 billion from the sale of Hydro One. The infrastructure deficit across Ontario is over \$100 billion you just said. Once that asset is sold, it's gone. What are you going to sell next? What are you going to sell next to help fill in that infrastructure gap that exists? Where does it end?

Hon. Bob Chiarelli: The reality is that \$4 billion is a lot of infrastructure, and as I've said, it's not coming

from tax revenue, it's not coming from cutting services, it's not coming from debt—

Mr. Todd Smith: It's coming from selling the golden goose, is where it's coming from. You are selling the golden goose.

Hon. Bob Chiarelli: The reality is, there are going to be a number of solutions that will be put in place for infrastructure funding. We have always said that the proceeds from Hydro One are part of a solution. They go into a Trillium fund for infrastructure and it will be spent on infrastructure. There is other funding that is being realized from other assets as well. Selling assets is not the only solution. Part of the solution is running good government.

Mr. Todd Smith: Well, that would be nice. It's been a long time since we've had good government in this province—12 years, as a matter of fact, since we've had good government.

I'll end on that note. Thank you, Minister.

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Smith. We now go to the—

Mr. Chris Ballard: We've got a comedy routine

The Chair (Ms. Cheri DiNovo): Quiet, please. We now go to the third party.

Mr. Peter Tabuns: Thank you, Chair. Good morning, Minister, Ms. Geraghty, Mr. Imbrogno.

I want to start off with the supplementary estimates that came out last week. There is an expenditure of \$2.663 billion for assets management and transformation. It shows a cost of \$2.6 billion for tax adjustment offset. What is this meant to pay for?

Hon. Bob Chiarelli: It's part of the transitioning, the transactions that have to take place in creating a new Hydro One as a public company. We do have the numbers and the deputy will explain what those are.

Mr. Serge Imbrogno: Mr. Tabuns, the \$2.6 billion represents the capital contribution that the province is making to Hydro One. It's related to the departure tax that Hydro One pays.

Mr. Peter Tabuns: I want to just get into that a bit further. This is a \$2.6-billion contribution from the province to Hydro One?

Mr. Serge Imbrogno: That is correct.

Mr. Peter Tabuns: So it's coming out of our treasury?

Mr. Serge Imbrogno: Well, it's fiscally neutral because when Hydro One leaves the PILs regime under the Income Tax Act, it makes a departure tax payment, like any other corporation would. That's a \$2.6-billion payment to the province. To keep Hydro One whole, there is a \$2.6-billion payment back to Hydro One to maintain its capital so it can optimize its valuation going forward.

Mr. Peter Tabuns: Just a second. You're telling me the \$2.6 billion comes from our treasury, goes into Hydro One, Hydro One writes a cheque back to the government of Ontario for taxes—

Hon. Bob Chiarelli: The other way around.

Mr. Peter Tabuns: Pardon?

Hon. Bob Chiarelli: Hydro One, as an LDC, is required to pay the tax. We're paying a tax to ourselves. Our entity is paying \$2.6 billion to ourselves, the treasury. It's going from one bank account that we have to another one, and we're putting it back in. So it's revenue-neutral.

Mr. Peter Tabuns: Let's just get the names of those accounts. The \$2.6 billion is coming from the treasury—

Hon. Bob Chiarelli: No.

Mr. Serge Imbrogno: The \$2.6 billion is paid from Hydro One into the Ontario Electricity Financial Corp.—

Mr. Peter Tabuns: Ah, it goes to the OEFC. Okay.

Mr. Serge Imbrogno: That's correct. We consolidate the OEFC so that \$2.6 billion then comes back onto the province's book. So that's fiscally neutral. Then there's another transaction where the province then makes a payment, a capital contribution, into Hydro One. We have assets in Hydro One as a set-off to that. So both those transactions are fiscally neutral to the province, and we're doing that to maintain a capital structure that, I guess, optimizes our proceeds going forward.

Mr. Peter Tabuns: So the \$2.6 billion is going to reduce the debts that OEFC is liable for?

Mr. Serge Imbrogno: That's correct.

Mr. Peter Tabuns: So is this part of the \$5-billion debt reduction that's supposed to come out of this deal?

Mr. Serge Imbrogno: No. This is different. This is like any corporation that leaves the tax regime—that goes from the payments-in-lieu regime to income taxable under the federal Income Tax Act. There's a departure tax that's paid. Any PIL payment goes to the OEFC—

Mr. Peter Tabuns: And why is it that Hydro One is not paying this out of the revenues it receives from the sale?

Mr. Serge Imbrogno: The tax is due before you actually go into the IPO. It's the second before, technically.

Mr. Peter Tabuns: So where is the government of Ontario getting the \$2.6 billion that's used to pay OEFC ultimately?

Hon. Bob Chiarelli: From Hydro One.

Mr. Serge Imbrogno: Hydro One is making that payment into the Ontario Electricity Financial Corp.

Mr. Peter Tabuns: The government of Ontario gives money to Hydro One; Hydro One gives the money to OEFC.

Mr. Serge Imbrogno: No; sorry. Let's just start from the first part of it: Hydro One is required to pay the departure tax. So Hydro One pays the \$2.6 billion into the Ontario Electricity Financial Corp.

Mr. Peter Tabuns: Fair enough. So the new investors start off with \$2.6 billion they've paid out.

Mr. Serge Imbrogno: Right. And those—

Mr. Peter Tabuns: So why are we giving them \$2.6 billion?

Mr. Serge Imbrogno: Let me just finish that. That payment—the tax and the payment—is neutral because we consolidate Hydro One. So they're down \$2.6 billion,

but we consolidate OEFC so it's up \$2.6 billion, so those two are fiscally neutral.

Mr. Peter Tabuns: I think I may come back to you on this question again.

There's a \$63-million cost that's in here for services. What's that \$63 million for services?

Mr. Serge Imbrogno: It would include the total fees that we estimate for the syndicate for selling the shares of Hydro One. It would include the ministry legal support services from outside advisers. It would include other costs related to some financial firms that support the ministry in the transaction. They're all one-time costs related to supporting the IPO.

Mr. Peter Tabuns: We've put out \$63 million, and it comes through your accounts, Minister. Does Hydro One reimburse the province of Ontario for the \$63 million?

Hon. Bob Chiarelli: It comes out of the proceeds of the IPO. In other words, it comes out of the proceeds of selling the shares.

Mr. Peter Tabuns: So it reduces the \$9 billion we're targeting by \$63 million?

Hon. Bob Chiarelli: The \$63 million in services for the IPO listed in the supplementary estimates will be fully recovered through the proceeds from the IPO. The bulk of this cost is \$50 million for underwriting and book runner fees. Just a week or two ago, the Globe and Mail noted that our government has persuaded Bay Street to accept some of the lowest IPO underwriting fees imaginable. I think you're aware of those comments. The remainder was spent on corporate legal advisory services, negotiated agreements and advisory services for future offerings. We're doing it in tranches, presumably one quarter, one quarter, one quarter, one quarter, and these costs, again, will be fully recovered from the proceeds of the IPO.

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Mr. Peter Tabuns: So if it's \$63 million—

Hon. Bob Chiarelli: You could not do an IPO without incurring these costs.

Mr. Peter Tabuns: I understand that. So, four tranches, four times \$63 million—over \$240 million—

Hon. Bob Chiarelli: No, the other tranches are included in the \$63 million.

Mr. Peter Tabuns: So \$63 million is the cost for the whole \$9 billion sale. Is that correct?

Hon. Bob Chiarelli: Whatever the number happens to be.

Mr. Peter Tabuns: The targets we've heard all along are \$4 billion for infrastructure, \$5 billion for debt reduction. Is there another number that I should be aware of? Is that a guess, or is that what we expect to—

Hon. Bob Chiarelli: Those are the best estimates that went into the prospectus.

Mr. Peter Tabuns: So they could be very different.

Hon. Bob Chiarelli: It's a market. They could be much higher—

Mr. Peter Tabuns: Or they could be much lower.

Hon. Bob Chiarelli: —and so in the wisdom of the people who were doing the financial investment manage-

ment, they are taking a very conservative outlook of how to proceed.

Mr. Peter Tabuns: So \$63 million—that reduces the amount of money that comes back to the province to reduce debt and pay for infrastructure. Is that correct?

Hon. Bob Chiarelli: It comes out of the proceeds—

Mr. Peter Tabuns: Mr. Imbrogno is nodding, but—

Mr. Serge Imbrogno: Yes, it would be from the proceeds, so it would reduce proceeds.

Mr. Peter Tabuns: Right. So \$9 billion less \$63 million.

Mr. Serge Imbrogno: I'm hesitating on the \$9 billion.

Mr. Peter Tabuns: You've got to pay lawyers somehow.

Mr. Serge Imbrogno: Whatever the number is, when we actually do the final sale.

Mr. Peter Tabuns: I'm sorry, repeat that?

Mr. Serge Imbrogno: I'm not speculating on the \$9 billion. I'm just saying when we go to market, there will be a price, and the proceeds will be from that.

Mr. Peter Tabuns: Okay. Just one second. In your estimates strategy section, you talk about upgrading the transmission system. Can you tell us what major upgrades Hydro One expects to put in place?

The Chair (Ms. Cheri DiNovo): This is a three-minute warning.

Hon. Bob Chiarelli: Okay. Sorry, where are you looking in the estimates?

Mr. Peter Tabuns: Look at page 7: Strategies: Continue to transition to a modern and reliable energy system by upgrading our transmission and distribution systems.

Can you tell me where you're planning to invest in the transmission system?

Hon. Bob Chiarelli: There are a whole range of transmission issues that are part of the long-term energy plan. But let me make it very, very clear: When we amended the Electricity Act, we and the OEB, we gave ultimate decision-making authority with respect to new transmission and transmission changes to cabinet. Hydro One has nothing to do with that particular issue.

That includes, for example, the northwest transmission Pickle Lake line, for which, about three or four weeks ago, we announced a wonderful public-private partnership between 20 First Nations communities and two private sector companies. We, through the IESO and through our regulatory process, are authorizing that to go ahead. It's specifically mentioned in the long-term energy plan, and we're implementing that. That brings the grid to remote communities.

Mr. Peter Tabuns: Can I go back to an earlier part of your statement? Have you—

The Chair (Ms. Cheri DiNovo): We have only a few seconds left. Perhaps we can wrap it up there, and I'll do this—

Mr. Peter Tabuns: It was a great question, Chair.

The Chair (Ms. Cheri DiNovo): —and we will reconvene this afternoon after routine proceedings. Thank you, everyone.

The committee recessed from 1014 to 1545.

The Chair (Ms. Cheri DiNovo): Okay, let's get going. We're here to resume the consideration of the estimates of the Ministry of Energy. There are a total of 13 hours and 49 minutes remaining. When the committee was adjourned, the third party, the NDP, had 19 minutes remaining in their rotation.

Just a couple of notes; I want to clarify something. It's absolutely within the jurisdiction and the domain of the minister to allow deputies to respond to questions. I want to make that clear. Also, I want to make it clear that everybody can raise a concern or a question of order, but if that concern or question of order goes on and on and on, we're going to stop the clock—just so we know.

Mr. Tabuns, you may proceed.

Mr. Peter Tabuns: Thank you very much, Chair. Minister, welcome back.

Your Strengthening Consumer Protection and Electricity System Oversight Act will give the government power to push through transmission lines without having an OEB hearing. Are there any major projects you are considering now that you don't want to have to go through an OEB hearing?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: Just to clarify, Mr. Tabuns, I think any transmission project that goes forward will still go through an OEB prudence review. What we're talking about is whether, for certain projects, we would want to not have a needs test done by the OEB to start the process. So, for example, if in the long-term energy plan the government has identified a particular transmission project as priority that it believes it would like to go forward, it could move that forward, but it's still subject to a final prudence review, costing—everything would go through an OEB process.

Mr. Peter Tabuns: Would the OEB be able to turn it down?

Mr. Serge Imbrogno: The OEB would be able to push back on whatever cost estimates are put forward. It would be able to scope it in whatever it thinks is appropriate, but it would be identified as a priority project by the government—assuming that the bill passes.

Mr. Peter Tabuns: Just going back, they could have a hearing, but they couldn't say, "This is not justified. You can't proceed?" They couldn't turn it down as they would, in a rate hearing, turn down a rate application?

Mr. Serge Imbrogno: They would go to the OEB in terms of getting all the cost recovery, getting the scope of the line, where the line would go—all that would be under the OEB review. But moving forward, the government could identify that as a priority line. So you would skip the one step of the OEB having to identify need, because the government has already done that for a priority project.

We would do that through something like a long-term energy plan, where you identify a certain project as priority.

Mr. Peter Tabuns: So if the OEB on examination found that the project was completely deficient, they still

wouldn't be able to say to Hydro One, assuming the government was proposing this transmission line, "You can't proceed with this?"

Mr. Serge Imbrogno: I think once it's identified as a priority project by the government, it would then be, "Is it scoped correctly? Are you recovering your costs?" and so on. It wouldn't be up to the OEB to say no to a particular line once it's identified as priority.

Mr. Peter Tabuns: And it wouldn't be able to say no to a rate increase that was related to recovery of costs for that line?

Mr. Serge Imbrogno: It would still be up to the OEB to make sure that all the costs that are put forward are prudent, so it would still have all the scoping authority.

Mr. Peter Tabuns: Would it be able to say to Hydro One, "You can't recover costs for this line"?

Mr. Serge Imbrogno: It would be able to say, "We don't believe these would be prudently incurred costs, so you can't recover those," but Hydro One or whatever transmitter would go forward and would make their case to the OEB. So that whole process continues.

Mr. Peter Tabuns: So in saying that the government can set priority for transmission lines and that it can simply tell the OEB, "This is going forward. You can review the cost, but we're going to build it anyway," are you saying something different to me, that the OEB will retain the ability to deny a transmission line construction?

Mr. Serge Imbrogno: Right now, if you're a transmitter and you want to go and build a line, you would get the IESO to identify need to support your application to the OEB. You would go to the OEB, and they would give you the opportunity to incur costs to actually start the planning for the project. So you would know that those costs are recoverable.

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What we're saying is that you would still have the government working with the IESO, identifying through our long-term energy plan what we think are priority transmission projects. So not all projects are going to be priority; the government may identify whatever they believe is the appropriate one. Instead of then going to the OEB to say, "We want to be able to start planning for that project, whatever costs we incur," and the OEB would say, "Yes, those are recoverable," just the planning costs, we would say, "It's a priority project," and they can proceed through the planning stage and be assured that those costs would be recovered.

But they would still, then, have to go to the OEB once they had done all their planning, once they had done all their assessment work. The OEB would still have to approve all the costs and make sure they're prudent.

Mr. Peter Tabuns: And what if the OEB did not approve the costs?

Mr. Serge Imbrogno: I think that the OEB would approve prudently incurred costs. I think they'd have to go through a process, go through a hearing and hear from all the interveners, and then the OEB would make a decision.

Mr. Peter Tabuns: So the cabinet's designation of a priority for a line will mean that whether or not it's prudent for the system as a whole has already been resolved by cabinet.

Hon. Bob Chiarelli: They will have to be rate-based, and they have to approve on the rate.

Mr. Peter Tabuns: Let's just say you decided to build a line from Ottawa to Quebec, a new line. I'm not suggesting one in particular. You simply said to Hydro One, "Build that line, do your planning and go to the OEB to recover the costs that you have expended on this," but the OEB won't be able to say, "This line is unnecessary in terms of the system as a whole, and thus, we reject the whole line."

I want to make sure I'm understanding this. That's why I'm pressing you on it.

Mr. Serge Imbrogno: Once the government has identified a line as priority, the OEB couldn't then say, "No, it's not a priority."

Mr. Peter Tabuns: Okay. That's the clarity I wanted.

Mr. Serge Imbrogno: But it doesn't mean that the costs incurred by that line are automatically recovered or there is not a lengthy process—

The Chair (Ms. Cheri DiNovo): Just a note: You have a minute and a half left.

Interjection.

The Chair (Ms. Cheri DiNovo): Sorry, my mistake. Continue.

Mr. Peter Tabuns: And I thought we were on good terms, Chair.

Hon. Bob Chiarelli: I know it's important for you to get a specific answer to that question. Any costs that are recoverable have to be reasonable costs in the opinion of the Ontario Energy Board. The project can go ahead, but the costs are not necessarily recoverable. That's number one.

Number two, the IESO has very detailed regional energy plans in place, or going into place. The long-term energy plan has the same thing. The long-term energy plan, for example, identified northwest Ontario transmission needs. Those were identified in 2013, they're still in the plan and we're proceeding with that. That is a transmission line that is going to go up to Pickle Lake, and then it's going to service 21 remote First Nation communities. That's the process that will ensue.

My interpretation, my understanding is that they still have absolute control over what is rate-based or not. For example, the Supreme Court of Canada decision—

Mr. Peter Tabuns: No, I read the decision.

Hon. Bob Chiarelli: It quite simply said, "You incurred labour costs which," in their opinion, "were higher than they should have been," and so they did not give the cost recovery to the OPG for that.

In this particular case, the example that you're using, if, in fact, imprudent capital expenditures are made and the OEB feels that they are imprudent, I believe they have the option to say, "We will give you reasonable costs recovered, but not the capital that you've incurred."

Mr. Peter Tabuns: What I understand from what you've said is that the government will say, "This line will go forward. Hydro One, make reasonable expenses within your operations to make it go forward." The OEB can judge whether or not expenses were reasonable. Say there was a huge budget for hospitality; they could say, "No, that's not allowable."

Hon. Bob Chiarelli: There's an issue in the premise that you just made: that it's going to be Hydro One. It might be Hydro One, but the OEB will control the process in terms of—as they did, for example, in the east-west tie in northwest Ontario. That went to basically a competitive process. The existing Hydro One bid on it and did not win that.

So the OEB has already been moving towards a process that would make it more cost-effective by making it more competitive. That will continue with the new Hydro One, with public ownership, and they will not automatically be awarded a contract to do a transmission project. It will go through the OEB.

Mr. Peter Tabuns: I think I understand the framework, then. Do you have any projects at this point that you are considering putting forward that will not go through a full OEB needs test before you get on to the whole question of rates and construction costs?

Hon. Bob Chiarelli: The northwest, the—

Mr. Serge Imbrogno: Yes. All the priority projects identified in the long-term energy plan would be under consideration by cabinet, but we haven't moved forward with any designation at this point.

Mr. Peter Tabuns: Okay. I'm going to go back to your strategy section on page 7. You talk about environmental stewardship, putting conservation first before building new generation and transmission facilities where cost effective.

Now, Hydro One will make its money on the assets that it owns, so if there's more demand in an area and they have to build more transmission, they will make money off that transmission. They won't particularly be friendly to someone who's trying to undercut their market. If you reduce the need for transmission services, you've reduced their potential to make money. How are you going to deal with their possible lack of co-operation with your need to actually invest in conservation?

Hon. Bob Chiarelli: Hydro One will be a utility like all the others. It will be like PowerStream, Ottawa Hydro and Toronto Hydro, and it will be a distribution company which also does transmission.

Maybe you can talk about, let's say, if any LDC, which would include Hydro One, required additional transmission or requested additional transmission. What would the process be?

Mr. Serge Imbrogno: Hydro One transmission would be subject to market rules established by the IESO, so they would have to follow those market rules. They would also be subject to the OEB. The whole point would be that if transmission is required to facilitate some kind of distribution/conservation project—renewables, that kind of thing—that would come under

the IESO market rules for open access to everyone and under the OEB to allow CDM to continue the conservation within a management framework.

So the regulations are in place. The regulators are in place to allow that to happen. There are protections against Hydro One not allowing open access to the transmission or not building the appropriate infrastructure. I think it would be in Hydro One's interest to build that infrastructure, because obviously as you build more capital and that comes into the rate base, for Hydro One it's a benefit. But, saying that, they are still subject to rules from the IESO and also from the OEB.

Hon. Bob Chiarelli: In other words, if Hydro One wanted to proceed and did proceed with a transmission initiative without adhering to the guidelines or whatever the requirements are for the OEB, they could probably do it, but they can't cost-recover. They will not get the cost recovery from it.

Mr. Peter Tabuns: So if you have an energy conservation program that eliminates the need for an extra line into a municipality, and they decide they're going to build a line anyway, they won't get cost recovery? Is that what you're saying to me?

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: Okay. Do you have a sense at this point as to how much money Hydro One is going to put into buying local distribution companies?

Hon. Bob Chiarelli: The answer to that is a simple no, in the sense that they will be in the same situation as Toronto Hydro, PowerStream or any other LDC that wants to consolidate—or if they want to purchase or do a joint venture, whatever it is. They will be subject to having to use their own devices to cause that to happen.

Now, we've made it easier for LDCs for a short period of time. The departure tax and the transfer tax that normally would be payable—we're giving them a breathing space of, I think it's three years to incent consolidation.

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There is no forced consolidation. It's all voluntary. I think it's important that we understand the concept here. They're going to be an LDC like Toronto Hydro. They'll also have transmission, but they're going to be an LDC like Toronto Hydro or anybody else. They've got to deliver service, they've got to be subject to the Ontario Energy Board, and that's the way it will work.

Mr. Peter Tabuns: So your expectation is not that they will be buying up LDCs across Ontario?

Hon. Bob Chiarelli: First of all, Brampton and PowerStream—we think it's significant and helpful in terms of consolidation—are making their own case to their own councils and their own shareholders to move forward with that.

For Hydro One, it will have to be a business case that they make to be responsible to the policies that the board puts in place and that will be in the interests of the shareholders, including the largest shareholder, which will be the province of Ontario.

Mr. Peter Tabuns: And what is the interest of the largest shareholder right now? Does the largest shareholder want them to buy up a lot of LDCs?

Hon. Bob Chiarelli: There's a board that's been put in place. They're managing the company and they're responsible to all the shareholders, not strictly—so we're a shareholder, we're an investor, like anybody else. There are other policy issues—the legislation and governance agreements that we believe protect the public interest. But that will be a decision for the board of directors.

It's not very much unlike the acquisitions that Hydro One, in its current state, has already done. It acquired Brampton, it acquired several other LDCs recently. It's not a private sector company, it's not a public-sharing company, but it did that by a decision of the board and the management team. It reported to the shareholder.

I can tell you, unless I'm not informed, that we did not interfere with that decision. We treated Hydro One, in its present form, as an independent corporation with an independent board making independent decisions. Even though we had to account for it in question period, on billing issues or something else, we were not controlling their decisions in that regard, and we won't in the future.

The Chair (Ms. Cheri DiNovo): I just wanted to say, Mr. Tabuns, now you really only do have a minute and a half left.

Mr. Peter Tabuns: It passes so quickly, Chair.

Mr. Serge Imbrogno: If I could just add to that: In 2012, the minister asked the panel to look at LDC consolidation, and they reported back that there were major benefits of additional consolidation that could be passed on to ratepayers. I think the government has consistently put in policies to support that.

Previously, public-to-public transfers were exempt from transfer tax. As the minister said, the government has moved further on that, so small LDCs would not be subject to the transfer tax or it would be a reduced capital rate for others. I think it's consistent with the overall government policy to incent consolidation, but on a voluntary basis.

Mr. Peter Tabuns: And have you done a calculation on how much money the Ontario Electricity Financial Corp. will lose from that reduction in the departure tax? Because obviously that tax is used to reduce the debt leftover from Ontario Hydro. Do you know how much you expect to lose?

Mr. Serge Imbrogno: Because you're exempting \$30,000 and under, I would suggest it's a small number because of the payment in lieu of taxes from those small LDCs.

Mr. Peter Tabuns: And the larger ones?

Mr. Serge Imbrogno: Well, the larger ones aren't totally exempt—

Mr. Peter Tabuns: No, they aren't.

Mr. Serge Imbrogno: —so only the small are exempt.

Mr. Peter Tabuns: They're not totally exempt, but they're partially exempt. Have you calculated how much revenue we're going to lose?

Mr. Serge Imbrogno: We haven't done that calculation. When the Ministry of Finance does its update on the finances of OEFC, I think they will take into account those interactions.

Hon. Bob Chiarelli: The consolidation historically, in the recent past, was so limited in terms of the numbers that we were not generating any tax in any case because the consolidations—

The Chair (Ms. Cheri DiNovo): I'm sorry, Minister and Mr. Tabuns. The time is up. We now move back, in fact, to the minister.

Hon. Bob Chiarelli: Rather than do our questions, I'm doing an additional presentation, and hopefully it will be within the time period.

I appreciate the opportunity to further discuss the priorities of the Ministry of Energy. I'd like to take this time to speak to our government's efforts to broaden the ownership of Hydro One.

I'd like to begin by introducing, once again, Sharon Geraghty, our legal adviser from Torys—I will not be asking her to speak this time—who has been supporting the development of this project.

As you know, there are strict securities law rules that dictate how the government, or Hydro One itself, must conduct itself in its public communications as we broaden the ownership of Hydro One. During what is called this "quiet period"—which is a legislated, regulated quiet period—before the initial public offering concludes, there are a set of established rules to protect the public interest and to ensure that our communications do not unfairly promote investment in Hydro One. The regulator, the Ontario Securities Commission, wants investors to base investment decisions solely on the disclosure in the prospectus. These rules apply to any shareholder of any publicly traded company in this situation, in any IPO. The government must respect these rules—Hydro One must respect these rules—given that the public interest is at stake, and the rules are set in legislation to protect that specific purpose.

Ms. Geraghty joins us today to assist in ensuring that, in answers to your questions, I and the deputy and our team are conscious of these rules, because our conversation here today is open to the public and therefore falls under the quiet-period regulated restrictions.

In each of my answers, I will endeavour to provide as much information as I am legally able, and consistently speak to the broader public policy benefits we see arising from the decisions taken.

The publicly available prospectus, which I think has been circulated to the members here—it has been available for the last several weeks publicly—which provides comprehensive, detailed information about Hydro One and its business affairs, can provide instructive content to answer most of the questions of that nature.

Unfortunately, I'm not able to expand on the content beyond what is in the prospectus, but it's significant detail that is in there, as you are already aware. Securities law is rather clear in this respect, but I will do my best to answer your questions as completely as possible within the restrictions of this regulated quiet period.

As the members of this committee know well, innovation and creativity have always been the hallmarks of the energy industry. As we modernize the way we deliver

clean, affordable and reliable electricity to millions of Ontarians, these principles must remain core to our mandate.

The creativity in this sector has seen Ontario Hydro, which historically provided 100% of the distribution service to consumers in Ontario at the retail level—to Hydro One currently providing only 24% of electricity delivery. It's important that we understand that. When we're talking about Hydro One, they only have 24% of the distribution or delivery of energy business in the province of Ontario at this time.

This took place under eight years of PC/Mike Harris rule and 12 years under Liberal government. Both governments did innovation and changed the system and how it operates. So it's important that we look at the reality of what the system is today in terms of how we move forward.

Transition and change are a natural part of innovation in our energy sector. We are now innovating to invest in needed infrastructure, without taxing for it, borrowing for it or eliminating programs for it. The net proceeds from the initial public offering will be dedicated to the Trillium Trust and will be part of the largest investment in infrastructure in Ontario's history: more than \$130 billion over 10 years, which will support more than 110,000 jobs per year. I repeat—

The Chair (Ms. Cheri DiNovo): Minister, just a minute—I just wanted to interrupt and introduce—we have a delegation from the Republic of Fiji. I just want to welcome them to the proceedings.

Hon. Bob Chiarelli: Thank you. Welcome.

The Chair (Ms. Cheri DiNovo): Sorry, Minister. Continue, please.

Hon. Bob Chiarelli: I repeat, it is important to note that investing the net proceeds in infrastructure provides us with funding that does not come from taxes, debt or cutting services.

It is essential that Ontario be a leader in meeting Canada's infrastructure deficit, to maintain and enhance both our quality of life and our economic productivity.

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Ontario will maintain a strong governance arrangement that meets these objectives of supporting the public interest. We've taken clear steps to ensure this through legislation and governance provisions. We have passed a legislative requirement that the government will remain the single largest shareholder at a minimum of a 40% stake, and by law require that no other shareholder be permitted to hold more than 10%. We have ensured that the government will have the power to remove the board of directors if needed, and will always maintain a minimum of 40% of the board's seats.

To focus our priority on the customer, Hydro One will also be required to create a dedicated ombudsperson similar to those found at other public companies, who will help to ensure customers have a strong voice and are respected.

We have ensured Hydro One is set up to meet these goals with the people in place to lead the transition. In

July, the province appointed a new board of directors for Hydro One to oversee the company as it prepares to become publicly traded. They are a team of proven leaders who have a renewed focus on customer service, excellence and improved performance and reliability. The new CEO, Mayo Schmidt, took over about a month ago. He comes with a strong record and impressive career history. This evolving role is one that will be a game-changer for our system and, I believe, one that is badly overdue.

As we move forward, ensuring strong protections for consumers will remain a top priority for our government. The OEB plays a central role in this agenda. That is why last June we introduced Bill 112, the Strengthening Consumer Protection and Electricity System Oversight Act, that will, if passed, strengthen the Ontario Energy Board's regulatory ability to ensure Ontario's policy goals are met across the sector.

As you all know, the OEB is an independent regulator which adjudicates applications for electricity rates, is focused on protecting ratepayers and ensures the high standard of service delivery Ontarians expect from their energy sector. Regardless of the utility before them, the OEB's mandate is to protect the interests of ratepayers and to set just and reasonable rates, whether that's Enbridge, Ottawa Hydro, multiple municipalities like York region's PowerStream or privately held like Fortis energy.

Let me re-emphasize this point: It is the Ontario Energy Board that sets the rates that can be charged to ratepayers, not the utility proper. This has always been the case and this will continue to be the case under our government's stewardship and under our legislation and regulation.

The OEB sets rates for municipally owned utilities, for generators and for private companies such as Enbridge and Union Gas, and it will continue to set rates for Hydro One after the IPO.

There are numerous examples of times when the OEB has in fact received an application from a utility to increase rates and delivered a reduced rate for consumers. This is done based on facts and evidence filed before the board, this is done based on an open and transparent public hearing process, and this is done with fairness for the ratepayer and customers foremost in mind—part of the mandate of the OEB.

For example, in 2010 Hydro One asked for a distribution rate increase, but received a 9% reduction for its capital request. In 2012, Hydro One asked for a rate increase for transmission, and the OEB ruled a 3% reduction for its capital request. In 2011, Toronto Hydro made a distribution request to the OEB and received about 11% less than requested. In 2014, OPG asked for a rate increase and the OEB approved about half the requested amount. When Ontario Power Generation applied for a 6.2% rate increase in 2011, the OEB not only denied the request, but lowered rates by 0.8%. Over the past six months, the Ontario Energy Board has also decreased natural gas rates for Enbridge and Union Gas customers.

The OEB reports that in the last six months, a typical residential customer with Enbridge Gas Distribution has seen their bills go down about \$105 per year, and Union Gas Ltd. customers have seen a decrease of \$184 a year. I can't recall the opposition raising that in question period.

Year after year, the OEB's mandate is to protect the interests of ratepayers. The OEB is an independent regulator with a mandate to protect the interests of Ontario ratepayers. Rate applications are reviewed by the OEB and they make the final determination on rate applications.

I want to refer to last week's Supreme Court of Canada decision. The Supreme Court of Canada has upheld the right of the Ontario Energy Board to ensure consumers pay just and reasonable rates for electricity, even if that means challenging Ontario Power Generation, or any other utility, on expenditures like collective bargaining labour agreements.

In a decision last Friday, the Supreme Court of Canada ruled on a long-standing dispute that began after the energy board determined OPG's labour costs were too high, and disallowed the full payment amount requested as part of its rate application covering 2011 and 2012. The Supreme Court confirmed that they will not get that rate increase.

The Supreme Court says, "The OEB's mandate is to review the underlying cost structure and make sure the costs that OPG seeks to pass off to customers (through) rates are just and reasonable." This ruling applies to all utilities, including Hydro One.

The decision stated, "The disallowance was intended to send a clear signal that OPG must take responsibility for improving its performance. Such a signal may, in the short run, provide the necessary impetus for OPG to bring its compensation costs in line with what, in the board's opinion, consumers should justly expect to pay for an efficiently provided service."

The Supreme Court decision supports the energy board's assertion that it was not constrained in its review of OPG's labour costs because it has a duty to look out for ratepayers and it cannot allow ratepayer interests to be subordinated to the interests of union employees. This reinforces the OEB's mandate, which is to protect the interests of ratepayers and to set just and reasonable rates.

As political advocates across the province say, "Rates are going to skyrocket because the ownership is being broadened and it's going to be a publicly traded company," that is just not possible and it's just not true. The Supreme Court of Canada, last week, has carved that in stone.

Even the leader of the third party, several days ago, in a letter to the Premier—copied to me as Minister of Energy—said, "The Ontario Energy Board is legislated to protect the interest of consumers with respect to prices and the adequacy, reliability and quality of electricity service."

I might also want to make a reference to the leader of the official opposition, who seems to be confused about

where he and his party stand on this issue. When asked about asset modernization in the context of Hydro One, he said, "I generally believe that the private sector can do a better job than the public sector. I ... think market conditions would be helpful for a lot of government agencies." That's Patrick Brown, May 5, 2015.

During the provincial election, the MPP from Carleton-Mississippi Mills stated, "We need to look seriously at privatizing the delivery of electricity...." We are not privatizing; we are broadening ownership, incidentally.

The PC Party has been in favour of taking Hydro One public for some time now. In fact, the latest white paper on energy policy—which is still PC policy—specifically suggests "opening both Hydro One and OPG to investment." They state, "The goal is to create more efficient companies that are not entirely reliant on public money."

The context here, for committee members, is that they state, "The goal is to create more efficient companies that are not entirely reliant on public money," and the paper was developed and approved by leader Tim Hudak as well as the member from Nipissing, who was the energy critic at the time. The party's white paper even recognized that consumer prices would continue to be regulated by the Ontario Energy Board. We copied the PCs on that point—thank you for your leadership.

Our government has even gone further by proposing Bill 112, which is about enhancing these powers to ensure strengthened protection of Ontario consumers, greater compliance and additional enforcement tools.

The OEB has taken important steps to put the consumer front and centre. Building on this success, we know that there is more that we can do to strengthen protections for consumers.

I'd like to take a moment to speak about the six key areas where this legislation will drive forward meaningful change, on behalf of ratepayers. First, the legislation would increase the ability of the OEB to levy financial penalties on utilities for non-compliance. The public rightly expects the highest standard from utilities regardless of their size or service territory and whether they are municipally owned, privately owned or any hybrid thereof.

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To that end, Bill 112 proposes increasing the cap for administrative penalties to a maximum of \$1 million each day that a contravention occurs. This is similar to the Alberta Utilities Commission as well as the Ontario Securities Commission.

Second, the OEB will be empowered to appoint a supervisor in situations where a distributor or transmitter is unable to meet its financial obligations or reliability standards. It's got to deliver good service. This important measure would ensure that public and ratepayer interests would be protected and ensure continuity of service for affected communities.

Third, to help streamline and clarify the ability of LDCs to expand their business beyond electricity

delivery, this legislation will provide greater scope to engage in non-utility activities and to participate in the many innovations available to the electricity sector.

In other jurisdictions, utilities that started out as strict "poles and wires" distribution companies or businesses successfully expanded their interest to other services, including participation in our government's various renewable energy procurements, to the benefit of both their ratepayers and their shareholders. But our proposed legislative changes will ensure that there can be no cross-subsidization of these other utility business enterprise activities by electricity ratepayers.

As we have seen in jurisdictions the world over, diversifying the lines of business in which a utility can participate can bring about significant value and pay sizeable dividends for shareholders. In Ontario, many municipalities would stand to benefit from an increase in dividends from their LDCs, as Renfrew is doing with their expansion, as we saw on Friday.

Fourth, in the busy age of social media and technological change, customers are more immediately able to offer feedback in real time. At present, the way in which the Ontario Energy Board relates to consumer groups—residential, commercial and industrial—are locked in a rigid process designed for a different era.

To support a more dynamic conversation with consumers and customer advocates, our proposed enhancements would allow the OEB to establish more nimble structures while enhancing customer advocacy and representation. In some cases, this will mean a more interactive OEB while in others, that might mean more capacity funding for specific consumer advocacy organizations.

I'm pleased to report that the OEB has already launched a dedicated consultation to help inform how additional consumer advocacy measures could be incorporated into a strengthened Ontario Energy Board.

Fifth, the proposed legislation would give cabinet enhanced powers to designate key transmission corridors to expedite their construction. Examples of such cases could be in the grid connection of Ontario's remote First Nation communities in northwest Ontario, a transmission link to the Ring of Fire, or enhanced intertie capacity with neighbouring jurisdictions to support clean energy imports.

To support these important public policy goals, government will strengthen its role when it comes to electricity transmission infrastructure. That will create a process where the provincial government is firmly setting broad electricity and energy policy through its long-term energy plan and designating core transmission projects to ensure their construction and operation.

Sixth, and finally, we are proposing legislative amendments to strengthen consumer protection in the retail energy market. In recent years, the OEB has received numerous complaints from customers of retailers, many of them seniors. We know that ratepayers have voiced their concerns that some retailers have used very aggressive tactics to get homeowners to sign up for contracts on

the spot—contracts that may not be in their long-term best interests.

The OEB takes these complaints very seriously and so does our government. The proposed legislative changes to enhance consumer protection would prohibit the sale of energy retail contracts at the consumer's home while still allowing retailers and marketers to engage in appropriate marketing and advertising activities at the door. They just won't be able to sign the contracts at the door. This will help alleviate high-pressure sales tactics and allow for a more considered evaluation of a retailer's offerings.

In addition to banning door-to-door sales of retail energy contracts, we are also proposing to extend the cooling-off period during which consumers can cancel a contract without penalty from 10 to 20 days. These are important changes that will ensure protections for consumers are stronger and the system is more fair.

Taken together, these proposed changes would strengthen the Ontario Energy Board as well as ensure that provincial public policy goals are met through enhanced and expanded legislative tools. These changes would protect ratepayers, they would strengthen our electricity system and they would promote innovation and transformation that benefit all consumers.

Before I conclude, it is important we also discuss the way our government is moving forward to modernize local distribution systems across Ontario and encourage local distribution companies to achieve efficiencies to benefit their customers. As part of the 2015 Ontario budget, our government provided meaningful changes to end barriers that stand in the way of broader LDC consolidation. This will ensure our system can continue to meet the electricity policy needs of the 21st century. The reality is that in 2015, for Ontario to have a balkanized structure with over 70 LDCs serving 4.3 million residential customers just doesn't make economic sense.

Our policy of encouraging consolidation remains 100% a voluntary choice of LDCs. As outlined by the 2012 distribution sector review panel report, it's time to park the historical reasons for this sector's fragmentation and focus on driving efficiencies and ratepayer savings through significant consolidation. In fact, only about eight or 10 years ago, I guess before the Mike Harris consolidation and amalgamations, I think we had close to 300 LDCs. California now has four for about a 40- or 50-million population and we've got 70. The government is encouraged by the level of dialogue that is already taking place across the sector, meaning we can look to the future on this issue with some optimism.

Madam Chair, thank you for the opportunity to speak to this important undertaking. Our government will remain focused on building Ontario up. As we have been clear, we will find ways to make the largest infrastructure investment in the province's history without making reckless cuts to public services or risky tax hikes on hard-working middle-class families. We will remain focused on strengthening protections for consumers and ensuring the electricity system is managed in the public interest.

We will continue to ensure innovation and efficiencies are a priority for local distribution companies across Ontario, of which Hydro One will be one.

Thank you very much, and I look forward to your questions.

The Chair (Ms. Cheri DiNovo): Thank you, Minister. We're going to take a five-minute—only five minute—break and we will reconvene. It will be time for the official opposition. Thank you.

The committee recessed from 1628 to 1633.

The Chair (Ms. Cheri DiNovo): Let us resume. Could members please take their seats? We're resuming. Thank you very much.

We move now to the official opposition: Mr. Smith.

Mr. Todd Smith: Back to the minister, just following up on our questioning this morning: It took a while to get there, but eventually you did say that you were in the belief that you had a mandate to sell off one of our most important public assets in Hydro One, in spite of the fact that it wasn't very clear in your election platform.

I'm just wondering now, given the public outrage that we've seen on Hydro One, and the various protests that we've experienced here at Queen's Park, and even the virtual protests online and the resolutions that have been passed by various municipalities against the sale of Hydro One, do you think that municipalities were adequately consulted on the sale of Hydro One?

Hon. Bob Chiarelli: I think that they were influenced by particularly the third party, who travelled across the province creating opportunities for "dialogue" in which it was stated very, very clearly that rates would rocket, and it was repeated over and over and over again. I think that had its impact on some of the resolutions.

We are absolutely confident that the rates are not set by Hydro One now, and they will not be set by Hydro One in the future, or by OPG or Fortis or Enbridge or Union Gas.

We are absolutely convinced in the justification of our cause in the sense of repurposing assets—I referred to some of that this morning—in order that we can invest in infrastructure with significant proceeds into the Trillium fund. That's why we're doing what we're doing. We believe we're responsible, we believe it will not increase rates; in fact, it will probably help mitigate rates. On that basis, we're moving forward.

Mr. Todd Smith: You just actually said in your 30-minute speech that it would be almost impossible—I think your words were that it would be impossible for rates to go up. The Premier has never said that it would be impossible for rates to go up; Ed Clark has never said that.

Hon. Bob Chiarelli: No, I've said over and over again—if you understood it that way or if I misspoke—and we can always check Hansard. I have been saying over and over again that virtually every LDC, every utility in North America, is going to be continuing to increase rates; and the issue is, to what extent can we mitigate those increases moving forward? They are, at the very least, inflationary in the sense that they can

recover their costs—legitimate and reasonable costs in the opinion of the OEB—and they will continue to be rate-based in that respect.

The reality is that over the last several years, the increases in our price of electricity were quite significant. They were quite significant for a reason, and the reason is that we had to invest \$34 billion into the sector in new transmission, new generation. We took the opportunity to go from a deficit of generation to a surplus, from a dirty system to a clean system and to a system that was reliable. There were no more further threats of brownouts etc.

Mr. Todd Smith: The Auditor General obviously would—

Hon. Bob Chiarelli: That put pressure on rates, we acknowledge that, and we put price mitigation measures in place to accommodate the unusual concentration of capital that we had to spend to make the system reliable and clean—

Mr. Todd Smith: Thank you, Mr. Minister. I want to move on to my next question. My next question, Minister, is—

Hon. Bob Chiarelli: The number of—

Mr. Todd Smith: —you have said, really—

The Chair (Ms. Cheri DiNovo): One at a time, please, Mr. Smith.

Mr. Todd Smith: You've blamed the third party, the NDP, for all of these resolutions being signed but clearly, if you had gone out there and consulted with municipalities, then maybe the work of the NDP and our party wouldn't have been as effective as it has been.

Do you actually think that the public has been adequately consulted on this? You obviously didn't reach out to municipalities that are affected by this. Do you think that the public has been consulted properly on the sale of Hydro One?

Hon. Bob Chiarelli: The process and the question of mandate—we'll have to agree to disagree. From our perspective, back in April and May 2013, we had prepared a draft budget. We were in a minority government. That draft budget was very specific, and it mentioned repurposing assets, which included the possibility of broadening ownership of Hydro One. We talked about our energy agencies, we talked about the LCBO, we talked about the Beer Store etc. That's number one.

That document was out there before the actual election and it was subject to a lot of discussion. Around the same time, the Ed Clark advisory council was established and Mr. Clark made it very, very clear we were going to be looking at our energy agencies, and he was including OPG and Hydro One, both of them, at that particular point in time.

Mr. Todd Smith: Let me move on to a different question.

Hon. Bob Chiarelli: So it was very, very well known that we were looking at the types of ownership options for Hydro One.

Mr. Todd Smith: Thank you. I'd like to move on to a question for Ms. Geraghty. I'm sorry I didn't get to you

earlier this morning. I know you wanted to share your expertise with us. Let me ask you this question now on a totally different matter.

Beginning in 2008, the Ministry of Energy had an offshoring agreement that pertained to services provided by Inergi LP. Are you aware of that and is that correct?

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Ms. Sharon Geraghty: I can't verify the information specifically, but I'm sure the deputy could help me if—I know there was a contract—

Mr. Serge Imbrogno: Did you complete your question? I'm not sure—

Mr. Todd Smith: I'll repeat the question. Beginning in 2008, the Ministry of Energy had an offshoring agreement that pertained to services provided by Inergi LP. Are you aware of that?

Mr. Serge Imbrogno: Is this the issue that's before the courts now or the one before the—

Hon. Bob Chiarelli: The offshore program—

Mr. Todd Smith: This is the offshore—

Hon. Bob Chiarelli: —where there is litigation.

Mr. Todd Smith: This is an offshoring agreement that had been signed by previous ministers that would keep jobs in the energy sector in Ontario.

Mr. Serge Imbrogno: Sorry. If you keep going with the question, I—

Mr. Todd Smith: The agreement that was struck in 2008 by then-Minister Smitherman—

Hon. Bob Chiarelli: It's the one that's subject to litigation at the present time—

Mr. Serge Imbrogno: Yes. I'm trying to make sure that's the one—

Hon. Bob Chiarelli: —and it's the wind project, so that's what the framework is.

Mr. Serge Imbrogno: Right.

Mr. Todd Smith: It's been affirmed, it's been adhered to by subsequent ministers, and it pertains to Hydro One and it pertains to keeping jobs in Ontario.

Hon. Bob Chiarelli: It's before the courts, so we're not going to talk about it.

Mr. Todd Smith: Well, I believe I need to keep talking about it, and maybe if I could go back to your counsel on this—

Hon. Bob Chiarelli: Just to be clear, the counsel has been retained recently and is not privy to the historical files that we have—

Mr. Todd Smith: This is included in the prospectus, which is a public document. This is included in the prospectus. So the agreement—and I have a copy of it here—is referred to as a “Unanimous shareholder agreement” in the text—

Mr. Serge Imbrogno: Sorry. We misheard you.

Hon. Bob Chiarelli: You'd have to clarify more. You're being very obtuse, if I might add.

Mr. Todd Smith: I'm just asking about the unanimous shareholder agreement. It's mentioned on page 119—

Hon. Bob Chiarelli: What's in the agreement? We don't know what's in the agreement. Tell us what's in the agreement.

Mr. Todd Smith: Well, you signed it, sir.

Hon. Bob Chiarelli: Fine. Refresh our memories.

Mr. Todd Smith: You signed the agreement.

Hon. Bob Chiarelli: Refresh our memories.

Mr. Todd Smith: I have a copy of it right here.

Hon. Bob Chiarelli: I'd like to have a look at it. I'd be happy to look at it.

The Chair (Ms. Cheri DiNovo): Excuse me for a second. Mr. Delaney.

Mr. Bob Delaney: Chair, on a point of order: Just as in the Legislature, the member has to address subjects that are germane to the estimates before the committee—

Mr. Todd Smith: And it is.

Mr. Bob Delaney:—and if the minister has said that, one, the question is before the courts, he may not discuss it and, secondly, if the minister has asked to look up some point, then he should be allowed to do so.

The Chair (Ms. Cheri DiNovo): Thank you for that.

I go back to Mr. Smith.

Mr. Todd Smith: I've just forwarded over to you the documentation that was signed by you to the former CEO and president of Hydro One, Mr. Marcello.

On page 119 of the prospectus under "Termination of existing shareholder declarations and resolutions," it states, "In the past, the province has made unanimous shareholder declarations that, among other things: (i) restricted the rights, powers and duties of the Hydro One Inc. board in relation to the offshoring of certain jobs and the outsourcing of certain services;..."

It then goes on to state, "Immediately prior to the closing of the offering, the province will terminate all existing unanimous shareholder declarations relating to Hydro One Inc. and its subsidiaries, except for the declaration permitting the board to set the number of directors within the minimum and maximum number provided for in Hydro One Inc. articles."

So immediately prior to the closing of the offering, the province is required by the prospectus to terminate the unanimous shareholder agreement with Inergi LP. Is that correct? Because that's what it says in the prospectus as far as I can understand.

Ms. Sharon Geraghty: To my knowledge, the Inergi contract is not being terminated. What's being terminated is the agreement that the unanimous shareholder declaration that has provisions in it regarding outsourcing, but the Inergi agreement, to my knowledge, is not being terminated.

Mr. Serge Imbrogno: That's not being terminated; it continues.

Mr. Todd Smith: It's not being terminated, but there is the possibility, and there are clauses that exist within the prospectus, that would allow this to be null and void, this agreement that's in place right now, the unanimous shareholder declaration. It's cited in the risk section of the prospectus—

Ms. Sharon Geraghty: I want to just explain what a unanimous shareholder declaration does, because I think that's the reason there was some misunderstanding as to the nature of your question.

Mr. Todd Smith: Okay. Yes. Thank you.

Ms. Sharon Geraghty: So a unanimous shareholder declaration is a requirement of the shareholder that imposes an obligation on the directors to act in a certain way. As part of the offering, because the government will no longer be the sole shareholder, the unanimous shareholder declaration process will no longer be in place and they will be terminating those, except the one that you mentioned, which goes to the question of who gets to determine how many directors are elected each year.

So it's not a termination of the energy agreement. It is a termination of the unanimous shareholder declaration that removes the powers of the board in that respect.

Mr. Todd Smith: Right. Okay, but on page 163 of the prospectus, there is the opt-out that exists, right? It's in the risks section of the prospectus. One of the risks mentioned in the prospectus is costs incurred by ending the contracts with Inergi early. It specifically mentions that, in that section. It's page 163, if you don't have it already.

Ms. Sharon Geraghty: It's the bottom of page 163. But that's not related to the termination of this unanimous shareholder declaration. That's a risk factor. Risk factors in the prospectus are designed to explain all the possible risks that can go wrong with the business so that investors know what they are, and so there is a risk factor dealing with a number of things. It's not a case that the company thinks that these things are going to happen, but there is an obligation under the securities law rules to identify things that could go wrong with the business and explain them to investors. But it's not connected to the unanimous shareholder declaration.

Mr. Todd Smith: But there is the possibility that the new CEO and president of Hydro One could opt out of the deal with Inergi.

Ms. Sharon Geraghty: There is an agreement in place—

Mr. Todd Smith: Yes, until 2018-19, from what I understand.

Ms. Sharon Geraghty: And again, in the management of the business of the expiry of the agreement, the board will decide what to do with that agreement. The board will be making decisions about the agreement.

This risk factor is not designed to tell you or any investor that something is going to happen to the Inergi agreement before that. It is simply identifying that there is a relationship in place, an outsourcing arrangement in place, on which the business relies, and at the end of the period, if that arrangement doesn't get renewed, there will have to be a new arrangement in place or new arrangements made. It's designed to explain a risk factor to investors—again, no connection with the unanimous shareholder declaration that's being revoked.

Mr. Todd Smith: So why, then, is it being revoked?

Ms. Sharon Geraghty: All of the unanimous shareholder declarations that remove the powers of the board are being revoked, because that is something you can do as a sole shareholder but this company will have broadened ownership, and the government will no longer

be a sole shareholder in a position—and it is actually very clearly in the governance agreement—put the powers in the place of the very qualified board that is going to be managing the business. That is again one of the features of the governance arrangement that you discussed earlier this morning.

Mr. Todd Smith: But one of these agreements that's in place, and the one—and just let me read it into the record—that was sent to Mr. Marcello from Minister Chiarelli back in October 2013:

"I am writing to advise you that I am exercising my powers as the sole shareholder of Hydro One Inc. to require that all new procurements by Hydro One Inc. for work currently being done by Inergi LP under its existing outsourcing agreement with Hydro One Inc. include a requirement that the work be performed in Ontario by persons employed and residing in Ontario.

"Thank you for your prompt attention to this matter."

It's signed by Bob Chiarelli, the minister.

According to the prospectus, it's saying that unanimous shareholder declarations will be terminated, and that would include this one, which would potentially open the door for outsourcing these jobs offshore, would it not?

Mr. Serge Imbrogno: When the minister sent that declaration, they were in negotiations. They have completed those negotiations and extended the contract, so that issue won't come up until the contract expires. At that point, it will be up to the board, and, I guess, negotiations with the union and their workers, what they do going forward. So it doesn't end the contract. It just says, going forward, it's a board decision.

Mr. Todd Smith: That's right. It doesn't end the contract. I would agree that it doesn't end the contract, but it doesn't prohibit the new board and the president and the CEO from ending that early and moving jobs offshore.

The new president and CEO of Hydro One has a history of moving jobs out of the province. He was recently with Viteria in Saskatchewan. Jobs were moved from Saskatchewan to other jurisdictions out of the province where they were, because he had the power to do that as the CEO and president of that company.

Who is to say that the new president and the board won't do the same thing with Hydro One: move jobs offshore, move them to India, move them wherever he wants to move them to save some money? He's moved jobs from Saskatchewan to Colorado and jobs to other provinces and jurisdictions across Canada.

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Hon. Bob Chiarelli: These are business-related decisions that are going to be made—

Mr. Todd Smith: Yes, they are.

Hon. Bob Chiarelli:—by an independent board. You may recall that a labour agreement was negotiated with the Power Workers' Union and with the society. There are provisions in there, in fact, that contemplate further outsourcing in the sense that the set-off for the 1% annual increase will come from the unions having agreed to allow further outsourcing to happen. It doesn't identify

where the outsourcing is going to be. It's creating the framework—both that type of union agreement with the Power Workers' Union and Hydro One, the way this contract has been dealt with—to give more independence to Hydro One to move forward. It's being done in a context that is compatible with any concerns that the union might have, because they're agreeing to permit further outsourcing.

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have about two and a half minutes left.

Mr. Todd Smith: Thank you.

But the bottom line here is that you will have no control over how many jobs in Ontario—good-paying jobs, by the way; I believe these jobs pay \$24 an hour. You have no idea, because you're handing control over to a new president and CEO who's ultimately going to make the decisions on how efficiently he wants to run the company because he answers to shareholders, not the province of Ontario. How many jobs are you willing to lose to other jurisdictions as a result of this deal to sell Hydro One?

Hon. Bob Chiarelli: That's an issue that an independent board and independent management is going to deal with. They'll deal with it in the context, as it always is, in terms of negotiating with the unions, which is a significant issue. The people of Ontario expect Hydro One to make the best decisions in the interest of the major shareholder, which is the province, as we move forward.

Mr. Todd Smith: Do you know that just prior—
Interjection.

Mr. Todd Smith: I just want to get one more thing in if I could, Mr. Imbrogno.

Prior to the minister signing this unanimous shareholder agreement on offshoring that he signed in October 2013, Hydro One had bidders for the services that Inergi was supplying to Hydro One, and they were entirely offshore. Did you know, that all of the bidders for those services prior to you signing this agreement were offshore? Those jobs will be gone. You can almost guarantee it. Did you realize that? These are good-paying jobs in Ontario that could be moving offshore to India or anywhere else in the world.

Hon. Bob Chiarelli: I'm not going to speculate on what the board might determine moving forward.

Mr. Todd Smith: But you're aware that these jobs could be moving out of Ontario?

Hon. Bob Chiarelli: I'm aware of the fact that both the Power Workers' Union and the society of engineers have agreed to a 1% increase or a 0.5% increase, depending on which union, on the basis that Hydro One will be able to outsource X number of contracts not specified.

Mr. Todd Smith: And Mayo Schmidt has a history—

Hon. Bob Chiarelli: The deputy has a—

Mr. Serge Imbrogno: Can I just step away slightly? I think it's important to note that in the Electricity Act, we've required Hydro One to maintain the grid control centre in Ontario. We've required that Hydro One maintain their head office in Ontario. We—

The Chair (Ms. Cheri DiNovo): I'm sorry, that is the end of this section. Thank you very much. Hold that thought.

Member of the third party, Mr. Tabuns.

Mr. Peter Tabuns: Going back to where I left off about the loss of funds that arise from reducing the departure tax, I gather there's been no calculation as to what we will lose. Has there been a calculation of the loss of funds to the province if payment in lieu of taxes is decreased and replaced by these now-privatized distribution and transmission companies paying provincial tax and paying federal tax?

Mr. Serge Imbrogno: We don't have that calculation.

Mr. Peter Tabuns: So we're engaged in a very large-scale operation here of allowing the privatization of LDCs across Ontario, we're privatizing the largest utility in the province, and we haven't calculated its impact on our bottom line? Is that correct?

Mr. Serge Imbrogno: Sorry, I'm just—I want to clarify your question. You're talking about our encouragement of LDC consolidation and the changes made to the transfer tax?

Mr. Peter Tabuns: Yes.

Mr. Serge Imbrogno: I think the Ministry of Finance would have, in their deliberations, made a calculation. I don't have that. In the Ministry of Finance estimates, that's a question you could pose to them.

Mr. Peter Tabuns: So if those estimates are made, they haven't been made by you.

Mr. Serge Imbrogno: That's correct.

Mr. Peter Tabuns: So you haven't made—

Mr. Serge Imbrogno: They have been made as part of the budget. We don't do the budget. It's their final calculations that are important.

Mr. Peter Tabuns: So you, as the Ministry of Energy, haven't looked at the amount of money that's going to flow out of Ontario in federal taxes, money that's currently coming to Ontario in payment in lieu of taxes. Is that correct?

Mr. Serge Imbrogno: That's all part of the consolidation of the OEFC as part of the Ministry of Finance budget calculations.

Mr. Peter Tabuns: And so in terms of operations currently, the consolidated net revenue from OPG and Hydro One—it's over \$1 billion a year; it comes into the provincial treasury—you haven't done a calculation as to how much less will be coming to pay off our debt arising from Ontario Hydro.

Mr. Serge Imbrogno: No. That would be the Ministry of Finance.

Mr. Peter Tabuns: Okay. Can you tell us how much currently comes from Hydro One every year to the provincial treasury?

Mr. Serge Imbrogno: I think it's in the prospectus. There are numbers in terms of the net income and payments with taxes. I could find it for you, but I think that's publicly available. It would also be in the Hydro One financial statements as well. It's the combined payments from the taxes plus the net income.

Mr. Peter Tabuns: So the fact that 60% of that revenue will now be going to other investors rather than Ontario is not consequential to the Ministry of Energy?

Mr. Serge Imbrogno: Well, for the Ministry of Energy, it's running the system, it's ensuring that reliability, ensuring that we get the investments. I think for the Ministry of Finance and government in general, it's how to use those proceeds. We're maintaining the 40% ownership, so we're not selling 100%. We're maintaining the potential for having 40% of a company going forward.

Mr. Peter Tabuns: So we will get 40% of the profits from Hydro One in future, rather than 100%?

Hon. Bob Chiarelli: It's 85% in the first year. It's progressive.

Mr. Peter Tabuns: No, I know it's progressive.

Hon. Bob Chiarelli: We expect that the revenues will even out as our percentage goes down—

Mr. Peter Tabuns: —so that where we're getting 100% of revenue from Hydro One now, we'll be getting less than 50% of the revenue from Hydro One. Is there a plan in the Ministry of Energy to make up for that lost revenue?

Hon. Bob Chiarelli: There are projections that are in the prospectus in terms of the growth of the business, and we expect that the growth of the business, over a period of four years or five years, which is the period that the IPO will go in stages, will likely even out.

Mr. Peter Tabuns: You're expecting the business to grow substantially, then. Is that correct?

Hon. Bob Chiarelli: It's in the prospectus, so I—

Mr. Peter Tabuns: Well, you've just said to me that as time goes on, the revenue will increase.

Hon. Bob Chiarelli: I've probably already overstepped the regulation in terms of anticipating growth. I'm getting a wink here that I shouldn't be speaking about that, because I'll be saying what a great investment and I'm not supposed to say that.

Mr. Serge Imbrogno: Again, going back, it is part of the budget process. It would be the Ministry of Finance determination of what the future projections are and building that into the budget process, using the net proceeds now to invest in infrastructure and building them into the budget projections.

Mr. Peter Tabuns: Can you speak to where you expect this growth to come from?

Ms. Sharon Geraghty: I'm just going to caution the ministry again that the prospectus outlines the growth strategy of the company, and he should not be expanding on that in any way.

Mr. Peter Tabuns: Do you want to just expand on what the prospectus says? Perhaps for the record, you can tell us where this growth is expected to come from?

Ms. Sharon Geraghty: The prospectus talks about what the strategy of the company would be. I'd be happy to read it out loud to you if you like, but it talks about the nature of the growth of the company. It might take up some time, but I'd be happy to take you to that section of the prospectus if you like.

Mr. Peter Tabuns: I'll come back to you with more questions.

I'm going to go back to a question that my colleague was asking about the offshoring. Why did Ontario write a letter to Hydro One saying, "We don't want you to off-shore"?

Mr. Serge Imbrogno: I think it was a determination at the time that our preference was for Hydro One to use Ontario manufacturers and suppliers. Since then, there's also been a move to allow more outsourcing of services. As Sharon pointed out, as we move forward with the IPO, all the shareholder declarations would fall away, and then it becomes part of a board business decision going forward.

1700

Mr. Peter Tabuns: If I can go back, though, to the minister: Capgemini is outsourced. It was already outsourced. I assume that in the next while it will continue to be. What you did was a directive saying, "You can't offshore it. You can't take vital IT functions and move them to India or China." Why did you say that, then?

Hon. Bob Chiarelli: Hydro One as a crown agency operated in a certain way in which the intervention of the government could be expected under certain circumstances. The prospectus is very clear that it's going to be managed by the board, by the new management. We're basically going through a vetting process where we want to make sure that they have the right to make those decisions, and those decisions will be made by the new board and by the new management.

Mr. Peter Tabuns: So what was your public policy goal in saying, "You can't offshore these IT and IT-related functions"?

Hon. Bob Chiarelli: The trend was causing us some concern. It was causing some concern as well to the unions, for obvious reasons, particularly given the agreement that we negotiated with the two unions which included specifically our right to do more—Hydro's right to do more outsourcing was an accord. That's the way the corporation is going to be moving forward.

Mr. Peter Tabuns: There's outsourcing—

Mr. Serge Imbrogno: And, sorry, as I mentioned, in the Electricity Act we've also put in place restrictions in terms of head office, restrictions in terms of grid control centre, so we move forward with other restrictions—

Hon. Bob Chiarelli: Outsourcing is not going to gut the workforce of Hydro One, because basically the legislation requires the operations to be in Ontario.

Mr. Peter Tabuns: Well, it requires part of the operations to be in Ontario.

Hon. Bob Chiarelli: Substantially all.

Mr. Peter Tabuns: "Substantial" allows an awful lot of wiggle room. You had concerns before about offshoring these vital services. I'm assuming that the prohibition on offshoring is now gone. Are you concerned that these vital jobs will be offshored?

Hon. Bob Chiarelli: I think we have to look at: Hydro One is an independently managed corporation. To the extent that it might be outsourcing, it will be in the same

situation as many other companies in the private sector. Whatever regulations or laws or economic imperative require decisions to be made, they will be made in that context, the same as Enbridge. In other words, if you think in terms of the workforce of Enbridge and the workforce of Hydro One in terms of the outsourcing issue, there will be a level playing field.

Mr. Peter Tabuns: Yes, there's outsourcing and then offshoring. I have problems with outsourcing; that's another discussion. But clearly you understood, as minister, the problem with sending our work overseas so that the ability to employ Ontarians in sophisticated data management and IT functions would be eliminated. You took action to protect—I'm assuming your concerns were with keeping these very high-value jobs here for Ontarians. That is now going to be abandoned. That is correct.

Hon. Bob Chiarelli: No, it's not being abandoned, because in fact we've changed the law to ensure that it will not be done in a significant or wholesale manner, because it requires the workforce to be located here in Ontario. That's enshrined in the legislation.

Mr. Peter Tabuns: I'm not sure that the people who are doing that work currently are aware that they've been protected in that legislation. Have you discussed this with them?

Mr. Serge Imbrogno: The legislation ensures that the grid control centre remains in Ontario. It defines the head office and what we mean by head-office type of workers. That is all part of the legislation.

There may be scope for Hydro One even to outsource to other provinces. These things are possible, but it's part of the collective agreement bargaining with the unions as well. That will be part of that process going forward.

As the minister has already said, Hydro One has already secured some outsourcing—I know it's not offshore—but outsourcing concessions from the union as part of the negotiation. I think that will be that process going forward.

Hon. Bob Chiarelli: It's not a significant threat to the workforce in Ontario when you look at the composition of the employees at Hydro One: the line workers, the truck drivers, the call centres which are going to be located here. The head office is going to be located here. The risk factor for large numbers of jobs to be offshore is very significantly mitigated.

Mr. Peter Tabuns: I may well come back to you on that, Minister.

Another line: Immediately after the prospectus was released, Moody's downgraded Hydro One's credit rating, and its outlook for Hydro One remains negative. Markets have responded to the increased perceived risk and Hydro One's bonds have lost 4.2% of their value since the IPO announcement in April. If Hydro One's borrowing costs go up, can these increased costs be passed on to consumers?

Mr. Serge Imbrogno: I don't want to get too specific. I would say you have to be careful that you don't equate the Moody's downgrade to what's happening in the bond markets. I think you need to separate those two; it's not a

cause and effect. I think everyone is affected by what's happening in the bond markets so the extent to which the downgrade had the impact that you're referring to on the bond yields I think is a bit speculative.

If you do the analysis, others—

Mr. Peter Tabuns: Let's go to another question then. If the borrowing costs go up for Hydro One, for whatever reason, those costs can be passed along to the consumers, to the ratepayers?

Hon. Bob Chiarelli: If I can just give some context from my briefing note: Hydro One continues to have a strong, stable credit rating at the upper tier of comparable Canadian utilities. In fact, Hydro One holds a stronger rating than utilities like Enbridge, TransCanada, Fortis and Emera. This means that Hydro One's borrowing costs are much less than relevant comparators.

Mr. Peter Tabuns: That's useful to know, Minister, but if, in fact, their borrowing costs go up, they can pass those costs on to their consumers and hydro rates can go up. Is that not correct?

Mr. Serge Imbrogno: I think borrowing costs are one of the costs that OEB would allow to be passed on to ratepayers.

Mr. Peter Tabuns: Okay.

The government likes to mention that Hydro One will be bound by the same rules that bind other corporations under the Business Corporations Act, but Bill 91 amended the Electricity Act to give Hydro One some very unusual exemptions to the Business Corporations Act. For example, Hydro One is now exempted from section 23 of the BCA and has the ability to give away Hydro One shares for free.

Hydro One is also exempted from section 24 of the Business Corporations Act in that it may add the value of issued shares to the appropriate capital accounts without having to go through the share evaluation process described in section 23 of the BCA.

Can you see a scenario in which this new corporation would issue a variety of shares that would dilute the value of the provincial interest?

Ms. Sharon Geraghty: Those provisions were added to deal with some technicalities and there's no expectation at this point, from my knowledge, that they're going to be used. But they're not intended to do what you just said.

Mr. Peter Tabuns: Why were these exemptions added?

Ms. Sharon Geraghty: If I can flip to the actual exemption that you're referring to, those are two provisions of the Business Corporations Act that require you, when you're issuing shares for anything other than cash, to obtain the fair value of the shares. It also has a provision that requires a certain amount to be added to the stated capital.

In both cases, it's not unusual to have a provision like that in legislation when you're dealing with a corporate statute. There is nothing at this point that Hydro One has indicated in its prospectus that it will be doing with respect to those provisions. We're not aware of anything

that they're doing. They were added at a time to deal with some technical issues under the statute in case the reorganization required it, but at this point we do not think that's the case.

Mr. Peter Tabuns: What were those technical issues?

Ms. Sharon Geraghty: There aren't any.

Mr. Peter Tabuns: I thought you just said there were technical—

Ms. Sharon Geraghty: At the time, we thought there might be, but as far as I know there are none.

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Mr. Peter Tabuns: What were the ones you were worried about at the time?

Ms. Sharon Geraghty: When you are issuing shares, if you issue them for no consideration, then you have a corporate law issue, but that step is not going to be required.

Mr. Peter Tabuns: So there will be no shares issued without consideration? All shares will be issued and money will have to come back in?

Ms. Sharon Geraghty: This transaction does not involve at the Hydro One level—the company will be a public company—the issuance of shares. It involves the transfer of shares by the government on the IPO. There is not a new issuance of shares to the public. It is a transfer of shares by the government of a portion of its interest in the company.

Mr. Peter Tabuns: Okay. Hydro One has been exempted from section 42 of the BCA, which prevents corporations from putting restrictions on who may buy or sell publicly traded shares, unless these restrictions are necessary under federal or provincial statute.

Why did the ministry give Hydro One the power to decide for itself who may buy or trade Hydro One shares without reference to any provincial or federal statute?

The Chair (Ms. Cheri DiNovo): You have about three minutes left, Mr. Tabuns.

Ms. Sharon Geraghty: Can you give me the section again? Are you talking about a new section in the Electricity Act?

Mr. Peter Tabuns: Section 42 of the Business Corporations Act.

Ms. Sharon Geraghty: But are you talking about a section in the Electricity Act that has changed?

Mr. Peter Tabuns: No, I'm talking about the Business Corporations Act.

Ms. Sharon Geraghty: Can you repeat the question, then?

Mr. Peter Tabuns: Hydro One has been exempted from section 42—

Ms. Sharon Geraghty: Where is that exemption? I just wanted to refresh my memory on the exemption you're talking about.

Mr. Peter Tabuns: I believe it was in the budget act that was passed. Hydro has got the power to decide for itself who may buy or trade Hydro One shares.

Ms. Sharon Geraghty: What you just said is true. Hydro One will be a public company, so its shares will be traded publicly. I'm not sure exactly what you're

referring to, but the fact that there is no restriction on the trading of shares, other than the restrictions that the deputy mentioned—

Mr. Peter Tabuns: No, it can decide for itself who can or can't buy shares.

Mr. Serge Imbrogno: That was part of the Electricity Act.

Ms. Sharon Geraghty: Right, but I think it's being articulated in a way that I'm not following—and I'm sorry, to the member. I'm just having trouble following the question, because it's not being articulated in a way that I recall.

Mr. Peter Tabuns: Right.

Ms. Sharon Geraghty: But I can refresh my memory.

Mr. Peter Tabuns: Why did the ministry—

Hon. Bob Chiarelli: Can we check the sections and the technical issues and get back to you tomorrow on that?

Mr. Peter Tabuns: Yes. I'll take it for tomorrow.

The Chair (Ms. Cheri DiNovo): We're not meeting tomorrow, but the next day—

Hon. Bob Chiarelli: The next session.

Mr. Peter Tabuns: Our next session, yes.

In an instance where the Hydro One board was going down a track that was particularly problematic for Ontario, not for a particular government—

Hon. Bob Chiarelli: Sorry, I didn't hear the first few words of your question.

Mr. Peter Tabuns: If the Hydro One board was going down a line of action that was particularly problematic for Ontario, the only remedy that you would have would be to essentially dismiss the whole board. There is nothing below that option.

Ms. Sharon Geraghty: There are some steps that the board takes that require shareholder approval. In those cases, the province is free to vote its shares however it wishes in its own self-interest on those matters—

Mr. Peter Tabuns: But it will have 40%, not 100%.

Ms. Sharon Geraghty: There are two issues there. One is that on fundamental transactions—an amalgamation of the company, an amendment of its articles—those require approval of two thirds of the shares voting in a meeting, so a 40% interest would be sufficient to block that—

Mr. Peter Tabuns: In those matters, yes.

Ms. Sharon Geraghty: Yes. With respect to other matters that require a majority, it is a majority of the shares that are represented at a meeting. Certainly, immediately after the offering—

The Chair (Ms. Cheri DiNovo): I'm sorry, Ms. Geraghty, we'll have to leave it there. That's the end of this section.

We move now to the government side.

Hon. Bob Chiarelli: We'll finish the answer to you on that, Peter.

Mr. Peter Tabuns: Okay. Thank you, Minister.

The Chair (Ms. Cheri DiNovo): Mr. Ballard.

Mr. Chris Ballard: Thank you, Minister. It has been a fascinating few hours, listening to questions and your in-

depth explanation. This is obviously an exceptionally important issue for the residents of Ontario and businesses in Ontario. I'm delighted to have heard your discourse today and how thorough it is in explaining the thought process and the work that has gone into a lot of this.

I go back to my experiences as a resident living in Aurora. Many years ago, we had our own small utility, our own distribution company, the much beloved Aurora Hydro, and it seemed that on a weekly basis, our power would go out. We were forever resetting all of those electronic devices that require constant electricity, so the microwave was forever blinking, and it became quite frustrating.

There came a time when we looked at the capitalization of our local hydro company and said, "We can't afford the upgrades that are necessary. We can't afford what needs to be done." Thankfully, PowerStream came along at about that time, as it was getting up and getting going, and made a very generous offer and also made a very strong commitment to improve the distribution system within the town. I think maybe, when they actually closed the deal and came in and had a really close look at what was happening, they may have regretted it, but perhaps not.

I know that residents are much happier after that merger. Our electrical supply now comes from two or three different lines coming into town instead of one. As a town councillor, I heard from businesses consistently that they were going to have to move because power was dirty and it was variable. That all went away and they're now happy.

So I certainly understand the importance, on a small scale, perhaps—only one system—of the need to capitalize and the need to run a distribution system as efficiently and as effectively as possible, and how much better it has been for my town—one of two in my riding of Newmarket–Aurora—to work with a company that has the capital and the expertise to put a good distribution system in place.

In talking with people in Newmarket–Aurora, I've had people ask me about the proposed sale, the broadening of ownership. It's interesting, and it's a bit disconcerting, in some ways, that people have been either misinformed or haven't had the ability to bone up on what exactly Hydro One is. That's one of the questions I have for you. People are concerned that we're selling our nuclear generation stations, for example, or we're selling Adam Beck, or we're selling these big transmission lines that we've recently purchased. When they really understand what Hydro One is, they're much more comfortable. In Newmarket–Aurora, we have Newmarket–Tay hydro serving the north end, we have PowerStream serving the south end, and they better understand what this is all about.

Then there are some concerns about why some people are going around and misinforming them about the impact of this. I think it's so important that we discuss what exactly Hydro One is in its entirety. Not many

people are going to read this, but it's a good start for those of us here.

The other part of what I wanted to talk about is, I know that last year, when we enjoyed your company for 15 hours, I think it was—it seems like just yesterday—I made mention of this, but I spent a good part of my career working in the consumer advocacy world, with the Consumers' Association of Canada and the Consumers Council of Canada. I worked with people at Public Interest Advocacy. Those groups appear before the OEB, right? We were quite familiar with the Ontario Energy Board process. We won some and we lost some, but we really had a good understanding of what goes on there, and the power of the mandate, and the strengths, of the Ontario Energy Board.

I think that's one of the misconceptions that is being spread, quite frankly, about what the OEB can do, what its responsibility is going to be, and the fact that Hydro One will not be the organization, just like PowerStream in Aurora and Newmarket-Tay hydro in Newmarket are not the organizations that set my rate as a consumer. This has to go through a very rigorous process at the OEB, and there are consumer advocates who are there, with professional counsel and professional input, making informed input into that process and really advocating on behalf of consumers. On the board itself, there are people with real expertise when it comes to advocating on behalf of consumers. That has raised my comfort level, to see some of the people who have been put on the board.

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I guess, Minister, to get to the point—first, just a bit more of an explanation about this beast called Hydro One and what it is. Once again, can we go on the record, if you could, and explain the strengths of the Ontario Energy Board's mandate and how it works in the interests of all Ontarians?

Hon. Bob Chiarelli: Thank you for the question. It's information that would be extremely helpful for people who are following the Hydro One broadening of ownership closely. Some of my comments now will cover some of the points that I mentioned before, but I'm trying to put it in a new context.

Of course, the OEB is an independent regulator, with a mandate to protect the interests of Ontario ratepayers. It's legislated to do so, and it has the power and the authority to do that and it exercises that power. It exercises that power responsibly, with public hearings where stakeholders can come. Consumer advocates are always present at hearings at the Ontario Energy Board.

Interjections.

The Chair (Ms. Cheri DiNovo): Excuse me, Minister. I'm going to have to ask the official opposition, please, if you are going to have a conversation, have it outside.

Hon. Bob Chiarelli: It's important, as well, to keep in mind the breadth of their mandate. The Ontario Energy Board, among other powers that it has, regulates the rates for crown corporations, like Ontario Power Generation,

or OPG; privately held companies like Union Gas and Enbridge; companies like Hydro One, which is in transition—right now it's like a crown agency, if you will, incidentally, with only 24% of the business of delivering electricity in the province of Ontario, both now and in the future, in its new form—they are not free to set their own rates. The OEB makes the final determination on rate applications.

There are a number of examples, and I've referred to some of them, in which the OEB has denied the rate increases requested by utilities or local distribution companies like Toronto Hydro, or PowerStream, or Hydro Ottawa, or the Renfrew energy corporation. I've listed a number of them. Their requests to have increases are regularly modified, reduced, or in fact decreased, on occasion by the Ontario Energy Board.

They look at data that is provided. If, for example, Hydro Ottawa is applying for an increase, or Hydro One is applying for an increase, they have to justify the increase: Did they really need to spend that money to build that transformer; was it reasonable to increase wages by that much, or executive compensation or pension plans that much etc?

They analyze all of that and if they're not reasonable, in the opinion of very, very expert people on that board, then the request is reduced, or decreased, in fact, on some occasions. I went through occasions in the recent history where they reduced Hydro One on a number of occasions, Ontario Power Generation on a number of occasions; Toronto Hydro, for example. They are there, they are part of the record. For someone to say that because the province is giving up some ownership of Hydro One that they're going to be free to raise their rates to whatever level they want is absolutely untrue and in fact impossible because before they get one dollar of increase, they have to go through that process and it has to be rated and it will not be approved.

When appearing before the Standing Committee of Finance and Economic Affairs, the CEO of the Ontario Energy Board, Rosemarie Leclair, stated that the OEB "public hearing process is rigorous and requires utilities to provide comprehensive ... business plans.... Proposals are examined and challenged in an open, public and transparent process, which includes the active participation of ratepayer representatives as well as other stakeholders. In fact, the OEB is one of few energy regulators that provide significant funding to ensure that the voices of those impacted by our decisions are represented effectively in our proceedings."

Again, just last Friday, the Supreme Court of Canada upheld the right of the Ontario Energy Board to ensure consumers pay just and reasonable rates for electricity, even if that means challenging a utility on expenditures like collective bargaining labour agreements.

In this recent decision, the Supreme Court ruled on a long-standing dispute that began after the energy board determined that Ontario Power Generation's labour costs were too high. The OEB disallowed the full payment amount requested as part of its rate application covering

2011 and 2012. It has been working its way through the courts since then.

This ruling applies to Hydro One now, and it applies to Hydro One after the IPO in terms of the type of authority and power exercised, and protection for the public exercised by the Ontario Energy Board. The Supreme Court decision supports the energy board's assertion that it was not constrained—and cannot be stopped in its belief—in its review of labour costs because it has the duty to look out for ratepayers, and it cannot allow ratepayer interests to be subordinated to the interests of unionized employees.

The OEB has a powerful mandate to protect the interests of ratepayers and to set just and reasonable rates. There's no way that Hydro One now or Hydro One under its new board and new management will be able to skyrocket rates. It will be slapped down, just like the other examples, if it's out of line. That's the bottom line.

The Chair (Ms. Cheri DiNovo): Mr. Ballard?

Mr. Bob Delaney: How much time have we got left, Chair?

The Chair (Ms. Cheri DiNovo): We have about seven minutes.

Interjections.

The Chair (Ms. Cheri DiNovo): Mr. Crack?

Mr. Grant Crack: Thank you very much, Madam Chair. I'm just so excited to be reading the long-term energy plan again for the third or fourth time. One of the things, Minister, that interests me is the interprovincial trade of power between the provinces, specifically to Quebec, which is important to me, having the eastern-most riding in the province of Ontario, which borders on Quebec. I know that in the past, I've had a number of discussions with constituents, as well as perhaps during the election in 2014, where I had to set the record straight on a number of occasions as to statements that had been made concerning the importing and exporting of hydro.

You had mentioned previously in your opening remarks the seasonal differences between Quebec and Ontario and the fact that in the winter, Quebec's demand is higher and, as such, some energy from Ontario flows and it's reversed. This has been a normal part of the operations of supplying electricity into and out of Ontario for a number of years.

You had also made reference to a report that you're working on and/or has been completed. I'm just wondering what the next steps are, there, with the discussions with Quebec. You've made reference in the House of some discussions with Quebec. I know our relationship with Quebec is much improved. We've got two great Premiers in both of the provinces who are like-minded and know what it takes to work together in order to build stronger provinces. Maybe just comment on that report, Minister?

Hon. Bob Chiarelli: Yes, I'd be happy to do that. There has been a lot of discussion about it. We hear a lot of people saying, "Why don't you just buy cheap Quebec hydro?" We actually had, in our December 2013 long-term energy plan—we committed to pursuing clean

import agreements where they're cost effective and can benefit our system.

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Now just to be clear, historically, Ontario and Quebec are already significant electricity trading partners. In 2014, Ontario imported 3.6 terawatt hours of electricity from Quebec, which is enough to power a city the size of London for a year. Quebec also imported 3.5 terawatt hours from Ontario, which is enough to power a city the size of Longueuil for a year.

We have also signed an unprecedented agreement with Quebec to exchange 500 megawatts of electricity capacity to help each province keep power affordable and reliable. The seasonal capacity exchange, which is what we're referring to, represents a cost-effective alternative to building new generation for both provinces. So the agreement that is in place, the operational starting in a couple of months for Quebec, is that because we are in a surplus situation, we'll be providing power to Quebec at our cost during the winter. They will be providing power to us at their cost in the summer when we have our peak. That's the nature of the agreement, and the infrastructure—

The Chair (Ms. Cheri DiNovo): Minister, just a two and a half minute warning.

Hon. Bob Chiarelli: Sorry?

The Chair (Ms. Cheri DiNovo): Two and a half minutes.

Hon. Bob Chiarelli: Half a minute?

The Chair (Ms. Cheri DiNovo): Two and a half.

Hon. Bob Chiarelli: Good.

The infrastructure or the intertie or the interprovincial transmission enables us to do 500 megawatts of that in terms of exchange. It represents a saving by getting electricity at cost for both provinces. So it's a win-win situation.

The report you talked about, the IESO intertie report—we asked for a report from the IESO to look at all the potential aspects of interprovincial energy trading, the benefits that these partnerships with our neighbours are providing to Ontario in terms of providing flexibility, reliability and reducing costs. The report identifies opportunities to enhance the benefits of existing interties—without new infrastructure, in other words—as well as the technical and cost constraints that limit the amount of power Ontario could import.

As minister, I am working with my counterparts in Quebec and Manitoba—we're looking at both provinces—to explore the opportunities to enhance the benefits of our existing interties as recommended in the report.

Ontario just signed an MOU to explore opportunities to enhance clean electricity trade with Quebec in order to reduce greenhouse gas emissions and ensure Ontario system reliability and affordability. That is particularly for the refurbishment period for our nuclear units when some of those units will go down. We're looking at the possibility of importing clean, non-emitting electricity from Quebec during that time, and it's on the premise

that it has to be less costly or less expensive than we could generate in Ontario ourselves. So it's a win-win for us.

We're just about out of time. Perhaps we can continue this when we have additional time.

The Chair (Ms. Cheri DiNovo): Thank you, Minister.

Mr. Grant Crack: That would be great. Thank you, Minister.

The Chair (Ms. Cheri DiNovo): Now back to the official opposition, Mr. Yakabuski.

Mr. John Yakabuski: Thank you very much. Yes, that's such a good deal. Thank you very much, Minister, for appearing before estimates. I know you're very busy and I appreciate all the time that you do give us.

Hon. Bob Chiarelli: I like the intimate relationship.

Mr. John Yakabuski: It's as meaningful to me as it is to you.

I'm glad you're talking about all that great deal you're getting from Quebec because in June alone we gave away \$225-million worth of electricity to various jurisdictions, your so-called surplus that we keep handing away or paying people to take and getting little back and reciprocating on the other end when we need it. When you're working from a disadvantage, nobody's going to give you the best deal and we haven't been able to do that for some time under your government.

I want to talk about the OEB because you seem to go on and on and on about this wonderful Ontario Energy Board that seems to—I've got this picture in my mind of how these big, bad energy companies come in when they want money. They want new rates and they want increases, and the white knight of the OEB just comes in and says, "No, no, you can't do that."

The OEB was in existence—just a short—I don't even need an answer—when you guys came to power in 2003, right? Yes, of course it was. It was brought in by a previous Conservative government. We didn't make the recent appointments. So, all through those 12 years, where we've seen energy rates triple, where was the white knight every time somebody would be looking for an increase?

You see, the minister seems to indicate that somehow the Ontario Energy Board is out there protecting us, but he only wants to tell half of the story. When government policy—such as your policy on renewables in the Green Energy Act—drives up costs, the OEB has no option. If the entity can prove that they have real costs being foisted onto them, and they can justify those increases, then those increases are granted. The minister talks like they rolled back this increase and rolled back that increase. Well, the reality is that it's a bit of a negotiation.

When someone goes to the Ontario Energy Board, and they want a 4% increase, you can rest assured they're looking for 6%, because at the end of the day everybody walks away, and the minister has a nice little press release saying, "The OEB did its job once again. Them buggers wanted 6%, but the OEB said no. The people of Ontario have been protected because we have the OEB in

place, and they only got 4%." It's all a game. That's what's going on here today, talking about the OEB. It's just a little game that's going on. The reality is, whether Hydro One is in your hands or in private hands or sold out in shares, the OEB is going to be faced with the same issues. When the policy decisions of your government drive up the cost of energy to consumers, the OEB will have no option but to grant those rate increases as those requests are made.

I think you need to be clear on that, Minister. You've got to stop pretending that somehow, the consumer out there is going to have this kind of protection. It hasn't existed for 12 years. Rates have tripled. They were 4.3 cents a kilowatt hour when your government came to power. Now, granted, you weren't there; I can't hold you responsible—I never do—but your government is. It was 4.3 cents a kilowatt hour for the cost of electricity; it has over tripled at the peak. So where was the OEB? The OEB must have been sleeping, or it's not doing the kind of job that you claim it has been doing. So I want to make that very, very clear: that the OEB has to work with what is placed before it. It doesn't just somehow go out there and say, "No, no, no."

In fact, those decreases—the gas companies requested decreases because the price has changed. A couple of winters ago, we had a terrible winter, and the supply of gas was very, very scarce. They had to request significant increases so that they could continue to function, operate and deliver the gas. But now that the gas price has dropped, they've also realized that they need to roll back those prices. They've gone to the Ontario Energy Board and said, "This is what we can sell gas for." The Ontario Energy Board says, "Yes, you can sell it at the reduced rate." The Ontario Energy Board doesn't work in a vacuum; it works in the world that you deliver it. When I say "you," I mean that your government delivers a lot of it based on policy—not necessarily on natural gas, because that's a commodity that is not controlled by provincial government on pricing.

Let's move on a little bit to Hydro One. On one hand, you say that it's going to be an independent board that is going to make these decisions when you're talking about protecting jobs in Ontario versus offshore. You say it's an independent board, but then in your speech this morning you were talking about how you're going to continue to have control of Hydro One because you're going to retain 40% of it. You can't have it both ways. You can't have control and then say, no, it's the independent board that is responsible for everything. You can't talk out of both sides when you're talking about what's going to happen at Hydro One.

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But I want to talk about Mayo Schmidt. I heard, when you released the prospectus, that Mayo Schmidt was going to have a salary of 800-and-some-odd thousand dollars—I don't have the figure written down in front of me—but the potential to earn \$4 million because of bonuses. You were quoted as saying something to the effect, and I'll paraphrase, "Oh, but it's not going to be easy to get that \$4 million."

Now we're getting to a question, so you're going to get a chance here. Can you tell me—if you can't talk about his contract, then I don't need the question answered. But I'd like to know what Mayo Schmidt actually has to do, other than show up for work and make sure that he is presentable and does the odd news conference—what performance requirements are in place for Mayo Schmidt to earn \$4 million as a salary at OPG?

Hon. Bob Chiarelli: At this particular point in time, my understanding is that the base salary and the targets to create the possibility of achieving up to \$4 million—my understanding from the board is that they're looking at three specific areas which will form the incentive to move forward. That includes employee safety—they have to have very, very good safety, and protect their employees; customer service, whether it's billing, whether it's the linemen getting out to do repairs etc., which is very, very important; and the financial performance of the company as well. Those will be the parameters under which his bonuses, his incentives, will be judged.

Mr. John Yakubuski: I worked for Ontario Hydro. You probably don't know that. But it was one of the key—

Mr. Grant Crack: You should have stayed there.

Mr. John Yakubuski: Well, I'll tell you, there are some people I wouldn't have to put up with across the way here, if I did.

Safety was priority number one. So we're going to actually pay the CEO of Hydro One, or whatever we call him—the president, the grand pooh-bah or whatever—we're going to pay him for achieving something that has been a priority of Hydro One since it was Ontario Hydro. Safety is priority number one.

I worked at the Nanticoke generating station, and I'll tell you, safety was paramount. We're going to actually pay this guy a bonus for doing something that they did by rote, by nature, since this company's inception. I mean, that doesn't sound like too hard of a hill to climb.

If that's the case—you see, Mayo Schmidt was making that kind of money before.

Interjection: More.

Mr. John Yakubuski: More? Thank you very much. That even makes it better. He was making more.

Hon. Bob Chiarelli: He took a pay cut to come.

Mr. John Yakubuski: He's taking a pay cut. Do you think he's going to take a pay cut to the extent that he's going to make \$800,000 and then have to struggle and strive to get \$4 million?

Hon. Bob Chiarelli: He took a pay cut from the \$4 million.

Mr. John Yakubuski: I don't know Mayo Schmidt, but I guarantee you one thing: He's pretty smart, and he's smart enough to make sure he signs a contract that ain't going to be taking him—so he's already taking a pay cut at \$4 million. He ain't going to be taking a pay cut.

"Ain't" is a legal word now, isn't it? It's in the dictionary.

Interjection: "He's not."

Mr. John Yakubuski: He's not going to be taking a pay cut.

Hon. Bob Chiarelli: You learned that language at Nanticoke.

Mr. John Yakubuski: He's not going to be taking a pay cut that takes him to lower than \$4 million. You can rest assured of that.

I think you've got to stop with that rhetoric about trying to pretend that Mayo Schmidt's getting 800-and-some thousand dollars and he's got to work his sweet butt off to get to \$4 million. This guy's making \$4 million, so I think that should be the starting point. From here on in, let's talk about Mayo Schmidt at \$4 million, and we'll see what his next contract's going to be.

How long is this contract with Mayo Schmidt? Can you tell me that?

Hon. Bob Chiarelli: I don't recall offhand. Is it in the prospectus?

Mr. John Yakubuski: A week? Two weeks? Pro-rated on a year?

Interjections.

Mr. John Yakubuski: How long is it?

Hon. Bob Chiarelli: I think it actually may be renewed every year.

Mr. John Yakubuski: Oh. So \$4 million this year. "If you're happy, Mayo, would you take \$6 million next year?" Is that what it's going to be? Because this guy didn't come here to run this corporation and to not better himself. So we've got to stop with that rhetoric about him having to earn \$4 million. He's getting \$4 million and you know it. Is that not a fair statement?

Look at the bonus pool they had for the Pan Am guys. They had nothing to do with that. The athletes made the success. The minister keeps raising the bar—or lowering the bar, I guess, would be the proper way—lowering the bar with respect to meeting the budget targets. Then everybody's happy, and we're paying out—what is it, \$26 million or something?

Mr. Todd Smith: It's \$5.7 million.

Mr. John Yakubuski: Oh, okay—\$5.7 million in bonuses. Saad Rafi, who came on late in the game, is going to double his salary. He retires from the Ontario public service and gets a gigantic pension, and now he gets a nice gig with the Pan Am Games and he's going to double that salary, all for a few months' work.

This is what we're up against here in the province of Ontario, and this is what we're afraid of: that this is what it's going to be like with the new board, with the new Hydro One. You say the independent board is going to look after it, but how much input did you have in deciding the salary of Mayo Schmidt? Because you own all of Hydro One today. Was that your decision, this pay package?

Hon. Bob Chiarelli: The decision was decided by the new board.

Mr. John Yakubuski: The new board.

Hon. Bob Chiarelli: Yes.

Mr. John Yakubuski: And you had no input on it?

Hon. Bob Chiarelli: No, I had no input on it.

Mr. John Yakabuski: No input on it whatsoever?

Hon. Bob Chiarelli: No.

Mr. John Yakabuski: They didn't even consult with you?

Hon. Bob Chiarelli: I didn't want to be consulted, because they're transitioning into being an independent board for a CEO who's going to be functioning under that particular board of directors. So that decision was made by the board.

Mr. John Yakabuski: But as the minister and the sole shareholder, when you wrote that directive to—was it Carmine Marcello who you wrote that directive to? You would still be able to write a directive to the board and say, "Hey, whoa—\$4 million? That's ridiculous."

Hon. Bob Chiarelli: The contract was made with the board in contemplation of working with the IPO board in the future, under the new structure of Hydro One.

Mr. John Yakabuski: But as the minister, you could have said no, correct? You could have said, "That's not acceptable to the people of Ontario. That's not acceptable to the overburdened ratepayers of Hydro One across this province. That's not acceptable to the grandmother who can't pay her hydro bills in the wintertime because she's got electric heat. That's just not acceptable." You could have said that, could you not have?

Hon. Bob Chiarelli: Well, in the process of transitioning from a crown corporation to a private board, it was not appropriate to intervene—

Mr. John Yakabuski: Could you have?

Hon. Bob Chiarelli: It was not appropriate to intervene in the transition.

Mr. John Yakabuski: I understand your opinion and your view on that, and maybe the lawyer wants to step in as well—but could you have?

Hon. Bob Chiarelli: I've answered the question.

Mr. John Yakabuski: No. The question is, could you have?

Hon. Bob Chiarelli: I answered the question. It would not have been appropriate under the circumstances of transition.

Mr. John Yakabuski: I understand that, but no, the question is more direct. I want to know: Do you have the power, the ministerial power? Could you have stepped in?

Hon. Bob Chiarelli: It would have been totally impractical under the circumstances.

Mr. John Yakabuski: Okay. We're not getting an answer on that.

Then let's talk about Carmine Marcello as well. Carmine Marcello basically ran Hydro One when it was the subject of the largest and most significant investigation in the history of the Ontario Ombudsman—the largest file with regard to customer complaints. What does Carmine Marcello get out of that? He gets hired on as a special adviser. Is his category of special advising going to be customer service? What is it going to be? Because he sure was an expert at that. But he's getting paid over half a million dollars as well. When Carmine Marcello turns 65, he's going to be eligible for a pension

of about \$450,000 a year. Is that the reward we give someone for the mess that was made at Hydro One over the last few years? Apparently, the OEB protects us from rates, but who protects us from obscene payouts? Could you have stopped Carmine Marcello from getting that money?

Hon. Bob Chiarelli: My understanding of his role is that it's transitional and that it will end on December 31.

Mr. John Yakabuski: Of this year?

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: Of this year?

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: So is he getting \$500,000-plus-whatever per annum? Or is it until December 31 of this year?

Hon. Bob Chiarelli: I don't have that number.

I don't know if you have it, Deputy.

Mr. Serge Imbrogno: I don't think we have those details.

Mr. John Yakabuski: Do you not think it would be important to the people of Ontario, and wouldn't it be important to you, the deputy minister of energy, to know what we're actually going to pay the guy?

Mr. Serge Imbrogno: I don't have all the contract details. I don't want to give you an answer that might not be correct, with the details—

Mr. John Yakabuski: Well, that's a change.

Mr. Serge Imbrogno: It will all be disclosed. But I think the minister has given you the sense that he's there for a transition period to provide support, and I think it's up to the board to—

Mr. John Yakabuski: Could we get that information? I'm specifically asking, then, on behalf of the members of the committee, to find out how long Carmine Marcello will have to work to be paid that 500,000-and-some-odd dollars—I don't have the exact figure. Could we get that? Is it legal for us to get that? It should be publicly disclosed. One thing the minister said in the House was that all of these salaries will be publicly disclosed under the Ontario securities legislation.

Mr. Serge Imbrogno: Whatever is disclosed now in the prospectus is what's publicly available—

The Chair (Ms. Cheri DiNovo): Mr. Yakabuski, you have just over two minutes left.

Mr. John Yakabuski: Is there something wrong with the clock? Do I need to make a motion for that, Chair?

The Chair (Ms. Cheri DiNovo): For what?

Mr. John Yakabuski: To get that information. I don't know.

The Chair (Ms. Cheri DiNovo): My understanding is that you can request information from a minister. You don't have to make a motion to get information—

Mr. John Yakabuski: Okay. I'm requesting that information: some clarity on the contract of Carmine Marcello. If he's only on until December 31 of this year—I mean, Mayo Schmidt was only hired in the last couple of weeks. So if it's \$500,000, that's for three or four months?

Hon. Bob Chiarelli: I defer to what's in the prospectus. I think it's referred to in the prospectus.

With respect to providing information, if it's the will of the committee—the committee can decide what—

Mr. John Yakabuski: I would request clarity on that figure, because I think it's important for the people of Ontario to know exactly what they're paying for Mr. Marcello in this advisory capacity.

Hon. Bob Chiarelli: On page 141 of the prospectus, footnote number 9: "Mr. Marcello will receive payment on December 31, 2015, for an amount equivalent to six months of his base salary plus 50% of his short-term incentive payment for 2014 with respect to his provision of continuity services to the chief executive officer"—that's basically the transition—"and to the chair of the board, provided he continues to devote his full time and attention to his responsibilities at Hydro One to such date."

Mr. John Yakabuski: So he's getting that—

Hon. Bob Chiarelli: That's the amount of information I can provide.

Mr. John Yakabuski: That explains it; I appreciate that. So he's going to get that money for working until December 31.

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: Wow. Not a bad gig if you can get it. Well, that's pretty scary.

Hon. Bob Chiarelli: He has been working since the beginning of the year.

Mr. John Yakabuski: Oh, yes, he was really doing a good job. Just ask Mr. Marin on that.

You know what, Chair? I think I have no further questions, because it would require more than a few seconds to answer them at this point. I'll come back later.

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Yakabuski.

Hon. Bob Chiarelli: A few minutes to ask them too.

The Chair (Ms. Cheri DiNovo): This committee, then, stands adjourned until next Tuesday at 9 a.m. See you then.

The committee adjourned at 1753.

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**Assemblée législative
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**Official Report
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(Hansard)**

Tuesday 6 October 2015

**Journal
des débats
(Hansard)**

Mardi 6 octobre 2015

**Standing Committee on
Estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie



Chair: Cheri DiNovo
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATES

Tuesday 6 October 2015

COMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Mardi 6 octobre 2015

The committee met at 0900 in committee room 1.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): Good morning, members. We are here to resume consideration of the estimates of the Ministry of Energy. There is a total of 11 hours and 43 minutes remaining.

Before we resume consideration of the estimates of the Ministry of Energy, if there are any inquiries from yesterday—actually, the last time we sat—that the ministry or the minister has responses to, perhaps information can be distributed by the Clerk at the beginning in order to assist the members with any further questions. Are there any items, Minister, that you have to be distributed this morning?

Hon. Bob Chiarelli: No items.

The Chair (Ms. Cheri DiNovo): No? Okay; thank you.

When the committee was adjourned last week we were about to begin the third party's turn in the rotation. Mr. Tabuns, you have 20 minutes.

Mr. Peter Tabuns: Thank you, Chair. Good morning, Minister.

Hon. Bob Chiarelli: Good morning.

Mr. Peter Tabuns: I'm going to go back to the \$2.6-billion payment that Ontario makes to Hydro One for their departure tax.

Supplementary estimates show that \$2.6 billion is coming from the Ministry of Energy and will go to Hydro One. Is that correct?

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: And you've also told me that Hydro One will be paying the same amount to the OEFC for payment of a "departure tax." Is that correct?

Hon. Bob Chiarelli: Yes.

Mr. Peter Tabuns: When the money is received by the OEFC, what will be done with it?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: Well, it's a PIL payment, so it would go towards paying down the stranded debt.

Mr. Peter Tabuns: So that money will be in the hands of the OEFC. They will use it to pay off bonds or retire bonds that have previously been taken out to cover the stranded debt? Correct?

Mr. Serge Imbrogno: I think the Ministry of Finance would make whatever use of that money they think is appropriate in terms of paying down the stranded debt,

whether it's bonds or whatever other instruments they think they need to be paying down.

Mr. Peter Tabuns: So here's \$2.6 billion that we badly need for infrastructure. It's coming out of the provincial treasury and it's going to OEFC to pay down the debt. Why are we doing this?

Hon. Bob Chiarelli: The deputy will answer in more technical terms, but to make it simple, and I'm sure Mr. Yakabuski would understand, if I give him \$20 and he gives me \$20—

Mr. John Yakabuski: You give me \$20 and I'll be shocked, but anyway.

Hon. Bob Chiarelli: If I give him \$20 and he gives me \$20, it's a wash. So that's in effect what's happening here. The deputy will explain it in more technical terms.

Mr. Serge Imbrogno: I think I tried to answer this question last time, but I'll try again in terms of—maybe if we take a step back to the payments-in-lieu regime. Hydro One, like the other MEUs—although Hydro One isn't an MEU—is subject to payments in lieu of tax under the Electricity Act. That's intended to mirror if they were actual taxpaying entities under the Income Tax Act for Canada or the Taxation Act for Ontario. So the Electricity Act mirrors that.

What happens when you leave the PILs regime: You become subject to the Income Tax Act or the Taxation Act. Just before you enter into that new regime—

Mr. Peter Tabuns: Sorry; you'll have to speak up, Mr. Imbrogno.

Mr. Serge Imbrogno: You pay a departure tax when you cease being subject to the Electricity Act. So the \$2.6-billion payment would be made by—not that amount but the same departure tax would be made by any municipal electric utility that leaves the PILs regime. That money would go into the OEFC to pay down the stranded debt.

The unique situation here is that we are also the owner of Hydro One. On a consolidation basis, we consolidate both Hydro One and OEFC. In terms of that particular transaction, Hydro One would be down \$2.6 billion and we would consolidate that, so our net income from Hydro One would be down \$2.6 billion, but our taxes received from the departure tax would be up \$2.6 billion. Just that part of the transaction would be fiscally neutral because we're consolidating both. The \$2.6 billion down for Hydro One and \$2.6-billion increase in OEFC both are consolidated.

If we stopped there, Mr. Tabuns, then we would have a situation—fiscally neutral—but as a shareholder of Hydro One, we would have an asset that's down \$2.6 billion. It would potentially have issues with its credit rating metrics, and we're about to broaden the ownership. It's not a financially optimal place to be for us as a shareholder of Hydro One. That's why we would make that capital injection into Hydro One: to keep it basically at its current level in terms of capital structure and to keep its credit metrics the same.

When you make that \$2.6-billion investment into Hydro One, you're increasing your investment by \$2.6 billion and you're down cash \$2.6 billion. That is fiscally neutral as well, but the benefit to us is that, when we sell the asset, it optimizes our value for that asset, rather than selling it at \$2.6 billion down with different credit metrics. So that's why the government is doing that.

Mr. Peter Tabuns: If we pay down this debt, that reduces the amount of cash we have to put into infrastructure. I thought the whole point of selling Hydro One was to increase our cash so that we could put money into infrastructure. Correct?

Mr. Serge Imbrogno: The cash for infrastructure comes from selling Hydro One as an asset. So the more we can maximize the value of that asset, the more we can put into infrastructure.

Mr. Peter Tabuns: So we're putting \$2.6 billion into something, and we're getting \$4 billion back in cash. We aren't that much further ahead in terms of cash; we're \$1.6 billion where we wanted \$4 billion.

Mr. Serge Imbrogno: I think that's one part of the equation. I think it's: What do we get for that whole asset because we've maintained the value of it?

Mr. Peter Tabuns: I'll come back to that.

This payment will reduce future tax payments to the province by Hydro One. Is that correct?

Ms. Sharon Geraghty: The payment of the departure tax does not reduce the future taxes. There's another impact on Hydro One. It's described in the prospectus. When it leaves the PILs regime, its assets are revalued at fair market value, and that creates a deferred tax asset for Hydro One that would effectively reflect the fact that it has tax savings in the future from that revaluation of its assets. It doesn't arise because of the payment of the \$2.6 billion; they're tied, but they're not the same thing.

Mr. Peter Tabuns: How are they tied?

Ms. Sharon Geraghty: They both result from the revaluation of the assets on the leaving of the PILs system. When you leave the PILs system, that triggers the departure tax that the deputy described. The revaluation of the assets, the tax basis of the assets, which is explained in the prospectus, means that the assets are recorded for tax purposes on the books of Hydro One at a higher value than they were before.

Mr. Peter Tabuns: So you're saying that the market value of Hydro One will be higher?

Ms. Sharon Geraghty: No. I think that the deputy explained how the contribution of the \$2.6 billion back impacts the value of Hydro One. This is a separate point.

What happens with Hydro One is, because its assets are revalued, from a tax perspective, going forward, the tax basis of its assets is higher. That impacts the deductions it can claim in the future when it pays taxes. They're different—related both to the revaluation of the assets, but different points.

Mr. Peter Tabuns: Let's say we didn't, as a province, give Hydro One \$2.6 billion that they could use to pay their departure tax. Mr. Imbrogno has suggested that it would reduce the value of Hydro One to investors. Is that correct?

Ms. Sharon Geraghty: The contribution of the \$2.6 billion increases the value of the Hydro One shares that you will own.

Mr. Peter Tabuns: But if we didn't give that \$2.6 billion, if we kept that cash and used it for infrastructure, how would that affect the operations of the new, privatized Hydro One?

Ms. Sharon Geraghty: It wouldn't affect their operations, as far as I can see. It would affect the value of the shares that you hold.

0910

Mr. Peter Tabuns: We own 100% of the shares now.

Ms. Sharon Geraghty: Correct. That doesn't affect their operations; it affects the value of what you hold.

Mr. Peter Tabuns: But as I understand it, when you go through the prospectus, page 106 talks about the change, leaving the PILs and going to the corporate tax regime. It says, "Management believes this will result in an annual net cash savings over the next five years due to the reduction of cash taxes payable by Hydro One."

Ms. Sharon Geraghty: That's correct. That's what I referred to, the increase in the tax basis of its assets will give rise to: They expect tax savings in future years.

Mr. Peter Tabuns: And so if we didn't give the \$2.6 billion, there would not be a reduction in cash taxes payable?

Ms. Sharon Geraghty: No, that's not correct, actually. The increase in the tax value of the company's assets occurs when it leaves the PILs regime. That just happens. That also means that it has to pay \$2.6 billion of departure tax to the government.

Mr. Peter Tabuns: To the province.

Ms. Sharon Geraghty: To the province. However, if you didn't contribute the \$2.6 billion back, it would still have those tax savings. Your shares would simply be worth less. It would have to raise the funds in other ways, maybe through debt or however it would need to raise those funds, and the value of your equity would decline, but the tax savings would remain because they result through the tax system as a result of leaving the regime and having the tax value of its assets increased.

When you contribute the \$2.6 billion to the company, that does not cause the tax value of its assets to increase. That will have happened anyway as a result of leaving the PILs regime. It happens automatically under the tax act.

Mr. Peter Tabuns: I think the difficulty I see here, though, is that we need cash to invest in infrastructure.

The government is reluctant to go into greater debt. We are spinning off this company, and it doesn't make sense to me that, given that we need cash, we're putting \$2.6 billion more into it so that it will have a higher valuation. We need that \$2.6 billion. Why are we not simply using the proceeds from the sale of Hydro One to pay down the debt that's held by the OEFC and utilize the other funds for infrastructure and debt reduction?

Ms. Sharon Geraghty: I'll only repeat what the minister and the deputy have said: You're not out of pocket \$2.6 billion because the \$2.6 billion you're contributing will come back to you through the departure tax.

Mr. Peter Tabuns: We're out of pocket in that the government needs cash to invest in infrastructure. What's happened with this transaction is, there's been a reduction in debt—and a reduction in debt is a useful thing—but it isn't allowing us to increase the amount of cash on hand to invest in infrastructure.

Mr. Serge Imbrogno: I'll just say that the \$2.6 billion goes towards paying down the stranded debt, so that transaction is targeted towards stranded debt. Putting in the additional capital increases our value, and then when we sell the portion of Hydro One, that's what we're using to put towards infrastructure. That's maximizing the amount we can get for infrastructure from that transaction.

Mr. Peter Tabuns: In part you're maximizing it—

Mr. Serge Imbrogno: So we'll be paying down the stranded debt and we'll be reinvesting the proceeds in infrastructure.

Mr. Peter Tabuns: But you're maximizing by reducing the cash that we have available. You're not going to be paying down more debt than you would have otherwise. Your goal, as stated previously, is \$5 billion for debt reduction. Correct?

Mr. Serge Imbrogno: That's not changing. The \$2.6 billion is separate from paying down the debt related to the transaction.

Mr. Peter Tabuns: So actually \$7.6 billion will be plowed into debt reduction in the aggregate. Correct?

Mr. Serge Imbrogno: Well, the \$2.6 billion is a payment towards OEFC's stranded debt.

Mr. Peter Tabuns: Right. So that's \$2.6 billion plus \$5 billion that's going into debt reduction, is it not?

Mr. Serge Imbrogno: One is debt reduction and one is stranded debt reduction. One is towards the ratepayers through the OEFC and one is debt of the taxpayer. Maybe that's not a distinction you necessarily want to make, but I think it's important from a ratepayer perspective.

Mr. Peter Tabuns: So let's go back then: You're saying that the \$2.6 billion is to eliminate the stranded debt?

Mr. Serge Imbrogno: It's paid to the OEFC to be used to pay down the stranded debt. I wouldn't say it will eliminate the stranded debt, but it'd be used to pay down the stranded debt.

Mr. Peter Tabuns: So the stranded debt, as I understand it, on March 1, 2014, was \$2.6 billion. Has none of

that been paid down since 2014? Has there been no further reduction?

Mr. Serge Imbrogno: The stranded debt, and the defeasance of the stranded debt, is a calculation that the Ministry of Finance would make, and it really is a forward-looking calculation. It depends on where you are at a point in time, but it also depends on where you think your revenues are going to be in the future, because a lot of what you're depending on are payments in lieu of taxes coming in and net income coming in from Hydro One, OPG and the LDCs as well. So when you defease a residual stranded debt, it is more forward-looking as well.

I'm just saying that you can't make that calculation simply by equating the \$2.6 billion to whatever is left in the—

Mr. Peter Tabuns: If there's \$2.6 billion in residual stranded debt and this \$2.6 billion is going to be applied to it, if I understand the word—

Mr. Serge Imbrogno: The stranded debt. There's more stranded debt than the \$2.6 billion. There are two different calculations: one is stranded debt and one is residual stranded debt.

Mr. Peter Tabuns: And my understanding is that as of the beginning of next year, residential customers will stop paying money into that, paying for the residual stranded debt, correct?

Mr. Serge Imbrogno: That's correct. That is as of January 1, 2016.

Mr. Peter Tabuns: But I understand that non-residential customers will continue to be paying for that residual stranded debt.

Mr. Serge Imbrogno: That's correct.

Mr. Peter Tabuns: We're putting \$2.6 billion into it.

Mr. Serge Imbrogno: Again, to pay down the stranded debt—and there are two calculations: One is the stranded debt and one is the residual stranded debt.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have five minutes left.

Mr. Peter Tabuns: Thank you.

Mr. Serge Imbrogno: The residual stranded debt is more forward-looking and that calculation is done by the Ministry of Finance.

Mr. Peter Tabuns: I may well come back to that. I'll leave it for the moment.

On page 106, the prospectus says, "Management believes that these net cash savings"—the reduction in taxes payable—"will not result in a corresponding reduction in its revenue requirement in future rate applications to the Ontario Energy Board."

In other words, if Hydro One management is correct, then these cash savings will benefit the investors but won't benefit the customers. The expectation is that the OEB will say, "Oh, you have extra cash not previously envisioned. We'll let you keep that and we won't pass that savings on to the ratepayers." What's the reason for that?

Mr. Serge Imbrogno: I think it's a regulatory issue with the Ontario Energy Board. I think the Ontario

Energy Board will need to consider what the regulatory principle is, and they would apply that in this case.

This is the expectation of Hydro One, and I think, ultimately, it's identified as a risk. All things are subject to OEB review and approval.

Mr. Peter Tabuns: So why does management believe that the OEB won't take corrective actions? "Management believes that these net cash savings will not result in a corresponding reduction in its revenue requirement...."

Ms. Sharon Geraghty: I don't want to expand on what they say in the prospectus, but I do want to point out that there are two pieces to the transaction that we talked about earlier. The first is that there is a departure tax of \$2.6 billion, for which the company, as you have said, will be out of pocket. That tax that's paid on the departure from the system, as I said, results from the increase in the value of its assets, which also results in the tax savings that you have mentioned.

Hydro One's position is that it would not impose on ratepayers the cost of the \$2.6 billion that it pays up front, which is the cost of the transaction that the shareholders at large and the company would bear. But correspondingly, they believe that the savings in the tax in the future that result from the increase in the tax value should also be borne by and enjoyed by the shareholders because the upfront tax is not borne by the ratepayers. I think that's the nature of the position that Hydro—

Mr. Peter Tabuns: And the upfront tax isn't borne by the investors, either. The investors have dodged a \$2.6-billion bullet.

Ms. Sharon Geraghty: No, as you've pointed out, that's real money out of the company, which the province is then returning to the company to reinvest.

Mr. Peter Tabuns: Right. The investors aren't paying the departure tax. The taxpayers of Ontario are paying that departure tax.

Ms. Sharon Geraghty: No, I don't agree with you. What the province is proposing to do is to contribute back \$2.6 billion into the company, which it will then have through the increased value of its shares. It's not a gift to the other investors.

0920

Mr. Peter Tabuns: Well, since it owns 100% of the company now, why does it have to put—sorry. It owns 100% now. It owns all the equity there is to be had. It's putting \$2.6 billion in. As you've said, if it wasn't putting in that \$2.6 billion, either ratepayers or investors would have to cover that bill. We're a province that needs that \$2.6 billion for infrastructure. Why are we putting it in to, in Mr. Imbrogno's words, make Hydro One whole, when in fact what I want is to have Ontario kept whole?

Ms. Sharon Geraghty: As you said, the province owns 100%. So if \$2.6 billion comes out, it's the province that bears that cost, and then the province is turning around and reinvesting to increase the value of its shares.

Mr. Peter Tabuns: No, Hydro One is becoming a private company. It's no longer part of the province. It won't be covered in our books. It will be an increasingly

independent entity. I don't see why, on its departure, it doesn't pay the tax out of its value to reduce our debt. We should be getting the benefit of debt reduction from those investors.

Ms. Sharon Geraghty: I just want to be sure you understand me. All I'm saying is that at the time at which the departure tax is incurred, the province owns 100% of the company. So if it stopped at the point where the departure tax is paid, the province as owner would bear that entire cost. It's not—

The Chair (Ms. Cheri DiNovo): Thank you. I'm afraid that's the end of your time, Mr. Tabuns.

We now move to the government side. Mr. Crack.

Mr. Grant Crack: Good morning. How's everybody today?

Mr. Serge Imbrogno: Excellent.

Mr. Grant Crack: Good. I just want to continue along the line of questioning, to the surprise of many, of what Mr. Tabuns is trying to get at. You've indicated that there's a departure tax of \$2.6 billion and also that the government will reimburse Hydro One for the exact same amount so that on the balance sheet it's equal. Is it fair to say, just for clarification purposes here, that if the province of Ontario was to keep that departure tax, the value of Hydro One as it goes public would be further reduced and that we would realize less, perhaps, from the sale of the shares in the future?

Mr. Serge Imbrogno: If we didn't reinvest, put more equity in, we would have less equity and less proceeds from a transaction.

Mr. Grant Crack: So in essence, we're just trying to maximize the value of the company by making, as you indicated, the company whole. That's a fair statement?

Mr. Serge Imbrogno: Yes, we're trying to maximize our proceeds from the transaction.

Mr. Grant Crack: Thank you. At our last opportunity to question the minister—of course, I'm sure you realize I'm from Glengarry—Prescott—Russell, the most eastern riding in the province, a great riding—I had questioned you concerning the import of clean electricity from the province of Quebec. You had also gone into some detail concerning the memorandum of understanding that has been agreed to between the two provinces. I'm just wondering if you could provide some more information on that memorandum of understanding. Yesterday, when I was chairing the committee on general government—we're dealing with Bill 9, which of course is an Act to amend the Environmental Protection Act to require the cessation of coal use to generate electricity at generation facilities—the Ontario Clean Air Alliance had indicated that with a \$2-billion investment in our transmission lines, we could save in the future. So I'm just wondering if there's any progress that you could update us on with regard to that memorandum of understanding.

Hon. Bob Chiarelli: First of all, just to put it in context, the two provinces, through the leadership of their respective Premiers, have embarked on co-operative initiatives in a number of different areas to try to harmonize in a way that benefits both provinces and also benefits

Canada as a whole. They're doing that on the carbon pricing issue through cap and trade. The economic development ministries are looking at how they can harmonize and make trade easier between the two provinces. They're looking at some environmental issues that they could co-operate on with respect to the Ottawa River, for example, which separates the two provinces.

One of the areas in that context is the trade of electricity. As mentioned last week, Ontario and Quebec are already significant energy trading partners, and we're trying to enhance that to the benefit of both provinces. Our overriding principle, incidentally, is that the basis upon which we negotiate with Quebec with respect to trading in energy is that our basic and, essentially, only interest is being able to access clean power at less cost than we could generate or otherwise import. So we signed an unprecedented agreement with Quebec to exchange 500 megawatts of electricity capacity to help each province keep power affordable and reliable. This seasonal capacity exchange represents a cost-effective alternative to building new generation for both provinces.

Additionally, Ontario just signed an MOU to explore opportunities to enhance clean electricity trade with Quebec in order to reduce greenhouse gas emissions and ensure Ontario's system reliability and affordability. Again, that's at a price that is attractive to Ontario. We have fairly significant natural gas capacity and, to the extent that we could use clean hydro power instead of ramping up emissions from natural gas, that could be an advantage to us. We signed the additional MOU to explore opportunities to further enhance clean energy trade between us, keeping our eye on emissions.

Ontario's focus remains on mitigating costs for ratepayers. Any deal would only go forward if Quebec were able to provide electricity at a cheaper rate than it would cost to generate it here in Ontario. Our goal is to get the best deal possible for Ontario ratepayers. Our party has a rational energy policy that is focused on clean energy, conservation and containing costs, and it's in that context.

Again, our government is committed to pursuing opportunities to expand our agreements with Quebec and Manitoba—we've had discussions with Manitoba as well—to increase the flexibility and reliability of our electricity system to reduce costs for Ontario consumers.

Now I want to ask the deputy minister and the assistant deputy minister, Steen Hume, from the energy supply policy division to expand further on our work to enhance clean electricity imports from Quebec. Deputy?

Mr. Serge Imbrogno: Thank you, Minister. I'm going to ask Steen Hume to come up, but I just want to give a sense that Minister Arcand and Minister Chiarelli have had regular meetings and, under that, are supported by my colleague in Quebec, the deputy minister of energy, and myself. We've set up a structure where we have particular working groups that have been set up. One is related to off-grid communities, and that working group continues to provide support. We also have a working group related to Energy East to make sure that Ontario

and Quebec are sharing information, and then we also have a third working group—Steen is the lead from the ministry—related to trade with Quebec. On that working group we have the IESO and Hydro Quebec represented. It's observed by the Ministry of Energy, and we participate in that.

I think I'll let Steen just walk you through some more details of what we're doing with the IESO interaction with Quebec and where things are going.

Mr. Steen Hume: Thank you, Deputy. Thank you, Minister. What I'll do is take a bit of a step back so people have an appreciation for where this work, this collaboration, is situated within a broader review exercise.

As the minister alluded to last week, in 2014 the IESO, the Independent Electricity System Operator, prepared for the minister's consideration a review of Ontario's interties. For those of you who are not as familiar with what interties are, these are the connections that allow for the import and export of electricity from Ontario to other jurisdictions. We have a number of interties set up throughout the province. These include Manitoba, down to our partners in the south and a high degree of consolidation of interties in the Ottawa area.

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Currently, we're importing about 3.6 terawatt hours of electricity, from Quebec in particular. To put this into context, it's the equivalent of what it takes to keep the lights on in London, Ontario. Ontario has also exported an equivalent amount to Quebec over the past year.

In terms of the work of the IESO and their 2014 intertie report, we asked them to look at a number of different things. One was to evaluate the system requirements for electricity import-export with Manitoba, an evaluation of the work we're doing with US states in terms of imports and exports, and most specifically, an analysis of a number of scenarios around enhancing import-export opportunities with Quebec. We specifically asked the IESO to look very closely at what we could do with respect to Quebec, primarily because they are a generator of hydroelectric electricity, which fits well into the government's overall commitment to greenhouse gas emission reductions through importation and in domestic generation of clean energy.

With respect to the four scenarios that IESO developed with respect to Quebec, scenario 1 focused on a status quo analysis: The notion of importing up to 500 megawatts of power to 2020. The second scenario included imports of up to 1,000 megawatts. Scenario 3 was an additional increase of 1,800 megawatts. Then, the fourth scenario was to look at what the system needs to be able to import 3,300 megawatts. To put this into context, this is the equivalent to the capacity provided by the Darlington Nuclear Generating Station.

I'll go into a bit more detail on what was the advice and the outcome of the analysis that IESO did with respect to the four scenarios, and really where they focused in on was what were the system requirements, what type of additional investment would we need to make with respect to transmission, as well as what it was

going to take in terms of time to do these kinds of upgrades.

With respect to scenario 1, the IESO found that the Ontario-Quebec interties near the Ottawa area could be counted on to take up to 500 megawatts of firm capacity, all in, on a regular basis. However, there are some transmission constraints that we have to be mindful of. Those could be including extreme local weather conditions. That's something that always had to be taken into account, but also just ongoing and necessary transmission upgrades, which are contemplated by 2020.

With respect to scenario 2, IESO felt that probably we would need significant transmission upgrades with respect to the Ottawa area, both to meet local reliability needs but also to allow for firm imports of up to 1,000 megawatts. The intertie report estimated that the additional enhancements to facilitate this 1,000 megawatts of firm imports beyond the planned upgrades in 2020 to meet local reliability needs could cost up to \$325 million. Including the time needed for regulatory and environmental approvals, they were imagining that this would take three to five years to complete.

With respect to scenario 3, to support firm imports of up to 1,800 megawatts, further transmission enhancements would be required beyond what was laid out in scenario 2, around Ottawa and west of Cornwall. The cost to complete these transmission enhancements is up to about \$500 million. Taking into account regulatory and environmental approvals, IESO estimated it would take five to seven years to complete this work.

Some of the upgrades that they were imagining would be required included a new 230-kW double-circuit line between Cornwall and Ottawa, a new 230-kW circuit approximately eight kilometres in length to connect existing circuits west of Ottawa—this is around Kanata—and then additional voltage-control equipment in the Ottawa area.

With respect to scenario 4: IESO had estimated that the transmission upgrades to support the import of 3,300 megawatts of electricity—the equivalent of the capacity that we get through Darlington generation—would be about \$2 billion. Including additional time for regulatory and environmental approvals—again, they were estimating anywhere from seven to 10 years.

The Chair (Ms. Cheri DiNovo): You have five minutes left.

Mr. Steen Hume: Thank you.

Mr. John Yakabuski: It's so interesting. Could they just go on?

Mr. Steen Hume: Thank you.

Those are some of the core technical details of what the intertie report from IESO provided. I think what they also provided, which the deputy and the minister alluded to, was some advice around other alternatives that weren't so significant in terms of system upgrades or would take a fair amount of time to put into place to make it possible, and this was to explore some form of energy trading or seasonal capacity-sharing, which are

the areas that we've been looking at, specifically with our colleagues in Quebec as well as those in Newfoundland.

With respect to seasonal capacity-sharing agreements, as both the deputy and the minister alluded to: We signed an agreement recently with Quebec to swap 500 megawatts of power capacity on a seasonal basis. As folks can appreciate, Quebec has a capacity shortage in the winter months; Ontario has capacity requirements in the summer months. We felt that there was a win/win opportunity to be able to share as necessary. We anticipate, as early as 2016, that we will be sharing capacity with Quebec as we approach the winter months.

In addition, what we've been discussing with Quebec is an opportunity for a medium-term electricity-trading agreement between the two jurisdictions. Again, as we move into an era of cap-and-trade, the need for clean energy will become more and more important to Ontario and others. Because of Quebec's abundance of clean hydroelectric energy, there is a potential for an opportunity. However, as the minister alluded to, any agreement that we engage between Ontario and Quebec has to be in the interests of Ontario ratepayers as well as our environmental commitments.

Currently, IESO and Hydro-Québec are in ongoing conversations about the system requirements that we need for such an electricity trade agreement to occur at a technical level, as well as my ongoing conversations with my counterpart in Quebec around approvals etc.

We've also engaged in conversations with our counterparts in Newfoundland, who, again, are generators of a fair amount of clean energy through their hydroelectric activities in places like Muskrat Falls etc. At the Halifax meeting of ministers responsible for energy and mining this past summer, the minister, with his counterpart from Newfoundland, announced that Ontario and Newfoundland would explore opportunities for potential electricity trade in the future.

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Currently, the work going on between the two ministries in Newfoundland and Ontario is supported by IESO and by Nalcor in Newfoundland. We're doing some study and planning to do an interim report to the minister before the new year, which we'll then follow up in a year's time with additional details on what the system requirements etc. are for an effective electricity trade.

Just to step back to the intertie report—I know I have only a few more minutes left. I just wanted to talk about some of the work we've been doing with Manitoba. Not only did IESO review the possibility of electricity trade with Manitoba as it relates to interties, but we've also been exploring that opportunity. IESO does highlight in the intertie report that Manitoba would likely need to engage in some system upgrades to make it feasible for the trade of electricity into Ontario. So that's something to be mindful of. On the positive side, Manitoba is another one of those jurisdictions, like Quebec, that provides clean electricity. That is of interest to Ontario.

The Chair (Ms. Cheri DiNovo): Thank you. It is now time for the official opposition. You have 20 minutes.

Mr. John Yakabuski: Thank you. I'm just going to have to have a little water first. That was pretty dry. Wow, 500 megawatts going one way or another from Ontario and Quebec—that's going to save the world, eh? Anyway, that's not what I'm going to ask you about right now. Thank you very much, Minister, for joining us this morning, and Deputy as well, and counsel.

Let me pick up a little bit of where I was last week. You didn't get me that information yet on Carmine Marcello, did you? We'd asked for some information.

Mr. Serge Imbrogno: I think we showed you where in the prospectus and gave the details. I don't think there's anything else.

Mr. John Yakabuski: Oh, that wasn't it. We were looking for a little more detail than that, I think. But anyway, when Carmine Marcello was replaced as the CEO of the new Hydro One, was he paid a severance at that time?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: If he was paid a severance, it would have been disclosed in the prospectus.

Hon. Bob Chiarelli: He's still there. My understanding is that he did not receive a severance—

Mr. John Yakabuski: I haven't had time to look at everything here. You're the deputy, you're the minister, you're the counsel. Could you answer me the question without having me digging? Was he paid a severance?

Ms. Sharon Geraghty: No.

Mr. John Yakabuski: Pardon me?

Ms. Sharon Geraghty: No.

Mr. John Yakabuski: No. Okay. Thank you very much. That's important, because it does show in the prospectus that he's only here until the 31st of December, right? That's what we are confirming?

Ms. Sharon Geraghty: I can't predict the future, but he is committed to stay for transition purposes until then, I believe, yes.

Mr. John Yakabuski: That's what his whole payment package was based on: staying until the 31st of December. What would we need him for beyond that? Is Mayo Schmidt a slow learner, or what's the story here?

Ms. Sharon Geraghty: I'm not going to speculate what Hydro One might want from Carmine Marcello in the future.

Mr. John Yakabuski: Oh, okay. But in the prospectus, it does say that if he's terminated, you're subject to paying him a severance of \$1.461 million. So he's staying on until the end of the year, but any time in that point, if he was terminated, he's going to get a tidy little—almost a million and a half in severance. Who negotiates these deals on our behalf, the people of Ontario?

Hon. Bob Chiarelli: That was a decision that was made by the new board—

Mr. John Yakabuski: The new board?

Hon. Bob Chiarelli: Moving forward, yes.

Mr. John Yakabuski: The new board. So who appointed the new board?

Hon. Bob Chiarelli: The new board was appointed by the ministry.

Mr. John Yakabuski: So that would be you individually or you collectively?

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: So you appointed the board, then the board makes the deals, and they're prepared to pay out a million and a half in severance should something happen between the board or the corporation and Carmine Marcello between now and December 31. Merry Christmas, Carmine. Merry Christmas, too. That's interesting to know.

Let's move on here for a moment. I want to talk a little bit about hydro rates, because I have heard—oh, if I had a dollar for every time I've heard you talk about the measures you have taken to mitigate the increase in hydro rates, I might be as rich as Carmine Marcello. So out of all of this work to mitigate hydro rates, we find that in 2013 the global adjustment—which is substantially as the Auditor General told us, and we do want to confirm that she has a background in hydro. As the Auditor General told us, it was substantially the result of many new generators, especially in the renewable energy sector, a.k.a. wind and solar. The global adjustment in 2013 was \$7.7 billion. In 2014, it was virtually the same.

Now, the global adjustment: Minister, can you tell us what it is, so far, in 2015? What has it amounted to in 2015?

Hon. Bob Chiarelli: I'm going to ask the deputy to answer that question, but I just want to indicate, before I pass it on to him, that the global adjustment reflects costs associated with contracted and regulated generation such as nuclear, natural gas and renewables, as well as the costs of conservation programs. It is—

Mr. John Yakabuski: Minister, with all due respect, we do know what it is comprised of.

Hon. Bob Chiarelli: —independently verified by the Ontario Energy Board, and it's part of the all-in electricity price. Without the global adjustment, generators across Ontario would be unable to produce power. My understanding is that the global adjustment actually was initiated by the Conservative government when they were in office.

I'll turn it over—

Mr. John Yakabuski: It was called a provincial benefit then, and it was, but if you could give me the amount.

Mr. Serge Imbrogno: I know the amounts are on the IESO website. I think I could check the website and get back to you.

Mr. John Yakabuski: Deputy, I'm going to help you. That's what I'm here to do; I'm going to help you. Actually, to the end of August, it was \$6.4 billion; \$7.7 billion for the whole year in 2014—\$6.4 billion through August 2015. If you look at the history of the past two years, the last quarter has been the highest for the accumulation of the global adjustment—the last third, pardon me—the last four months.

I guess it's a fair question: What do we expect at the end of 2015? But even more to the point, today is the 6th

of October. Rates will be adjusted November 1. Correct? That's when we get a new rate?

Mr. Serge Imbrogno: That's correct; for the RPP.

Mr. John Yakabuski: You already know how much that increase is going to be. The global adjustment is a significant determinant as to what those rates are going to be, fair enough?

Mr. Serge Imbrogno: It's a component of the RPP, yes.

Mr. John Yakabuski: A significant component.

Mr. Serge Imbrogno: Yes.

Mr. John Yakabuski: Thank you.

You see, we're going on our constituency break next week, so I suspect that maybe at about 5 o'clock, in the middle of a Blue Jays extra-inning game or something, you're going to make an announcement—

Mr. Michael Harris: They don't need extra innings, John.

Mr. John Yakabuski: We don't know. Okay, it's going to be a walk-off—

Hon. Bob Chiarelli: I'm not that smart.

Mr. John Yakabuski: Could we get that quoted and separated from everything else? Just give me that clip from the minister. I want to play that over and over.

So, during that telecast, I suspect that we're going to get an announcement as to what the increase is going to be on November 1. I have got to believe, and I'm not that smart either—just so we can play them together; we can have duelling “I'm not that smart”—it's got to be huge this year because of these contributors. Why don't you tell us? You already know. Why don't you tell us here what that increase is going to be November 1?

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Hon. Bob Chiarelli: I'm going to ask the deputy to speak to that very momentarily, but the other day, when we were debating a bill in the Legislature, you alluded to providing the rest of the story, and you recall that. You referred to a commentator on the radio, and he would always tell the rest of the story? Now, I just have a little comment for the rest of the story.

Mr. John Yakabuski: Oh, no, this is not your show. This is not your show.

Hon. Bob Chiarelli: Before the global adjustment, wholesale market prices were insufficient to cover the cost of contract payments to certain electricity generators, leading the former PC government to accumulate billions of dollars in debt, which created the huge, humongous problem around 2000. This contributed to the stranded debt that consumers continue to pay off through the debt retirement charge.

Deputy?

Mr. John Yakabuski: Oh, no. Before the deputy—

Hon. Bob Chiarelli: No, no. We want to answer the first question. Go ahead.

Mr. Serge Imbrogno: I'll be quick. The regulation price plan is calculated by the OEB. The OEB hires—I think they're had Navigant, in the past, to do the calculation. Partly it's what's in the global adjustment; partly it's that they have a variance account, depending on if they

collected too much or too little during the year. So it's a calculation that the OEB makes. We don't have that information to share with you at this point.

Mr. John Yakabuski: You can't share it at this point.

Mr. Serge Imbrogno: We don't have it. It's done by the OEB.

Mr. John Yakabuski: But you're the deputy minister in the Ministry of Energy. Hydro rates matter to you, and they certainly matter to the minister. You're doing your own calculations, too. You're not living in a vacuum out there, wondering what's going to happen on November 1 and waiting until the OEB comes down with their declaration. You're in the business of dealing with the bad news and the good news. So when it comes down on November 1, you already know what's going to happen. You may not have the exact number—I'll concede that; but believe me, you're doing the calculating because the fella beside you wants to know, because he's the guy who has to deal with the political fallout on November 1.

To the minister's “the rest of the story” billions? Well, let me tell you how many billions the global adjustment has meant just since the Green Energy Act—or sorry, since 2006, Bill 100. The auditor estimated \$50 billion. London Economics International, when they did the critique on the Green Energy Act for our party, estimated \$40 billion. At this rate—in the last two years, close to \$8 billion a year. This year already \$6.4 billion just through to the end of August, with four months to go. That \$50-billion figure by the end of this year is too low. It's actually going to be higher. So when you're talking about how there was billions, it never came anywhere near. “Billions” could mean two or more billion, but it certainly didn't mean up to maybe \$60 billion, which is what we're talking on the global adjustment. All of that goes onto the rate base of the hydro customer. That is the thing that is crippling people in this province. That's the rest of the rest of the story—the actual number that you're dealing with here.

What continues to happen here is that—and to your credit, you're changed some of the rules around the FIT program, but you're still subsidizing the price of hydro when it comes to wind generation. In fact, it's up to 12.8 cents a kilowatt hour, and that's just for the power generated.

When you know that this is one of the significant drivers, why do you continue to raise the subsidized rate that you're paying to those types of generators? You continuously talk about, Minister—as I say, I don't know how many times I've heard you say “the steps we have taken to mitigate the increase in hydro rates.” I've heard that many times. Then you take steps that cannot possibly mitigate an increase. In fact, they can only exacerbate the increase. So why do you continue to make those decisions? Are they happening in the Ministry of Energy, or are those being done in the corner office on the second floor? What is the reasoning behind those decisions?

Hon. Bob Chiarelli: You're referring to the renewable energy costs, which I think represent somewhere around 8% of the electricity bill.

But I want to talk about the steps that we took over the course of the last eight or nine years, which put a lot of pressure on prices. The pressure on prices comes from the expenditures in the system. When we took over the system, we had a deficit of electricity—

Mr. John Yakabuski: Chair. Excuse me, Chair.

The Chair (Ms. Cheri DiNovo): Yes?

Mr. John Yakabuski: The minister is going to have those opportunities when it goes back to the government side, but at this time, they're my questions.

The Chair (Ms. Cheri DiNovo): And you have about five minutes left.

Hon. Bob Chiarelli: And they're my answers.

Mr. John Yakabuski: Thank you very much.

Hon. Bob Chiarelli: They're my answers.

Mr. John Yakabuski: Yes, I understand that. I know.

The Chair (Ms. Cheri DiNovo): Let the minister finish his sentence. Go ahead.

Hon. Bob Chiarelli: We're talking about pressures on electricity prices; okay? We had a deficit of electricity. The previous government—your government—was importing a billion dollars a year in electricity and prices were going up. We had a dirty system with 25% coal generation. The system was unreliable, with risks of brown-outs for all of our industries across the province. We invested \$34 billion to restore the system to credibility.

Under your jurisdiction, under your term—

The Chair (Ms. Cheri DiNovo): Can you wrap this up, Minister?

Hon. Bob Chiarelli: —under your term, we lost generating capacity. We lost transmission capacity. And so over those eight or nine years, yes, we invested in some renewables, but we also expanded: 20 new gas plants; we did the Niagara Tunnel for \$1.2 billion; we expanded the Lower Mattagami Dam for \$2.6 billion to create a reliable system. That put pressure on prices, but we did it to have a reliable system.

The Chair (Ms. Cheri DiNovo): Okay, thank you, Minister.

Mr. John Yakabuski: Thank you very much, Minister.

Getting to this import-export equation: In the month of June alone, \$221 million was lost—export losses—on this export of power to other jurisdictions. That's all part of your equation in your global adjustment in your mitigating of rates that has gone on and on and on. I tell you one thing: We can't even imagine what would have happened if you weren't working so hard to mitigate those increases in rates.

Anyway, \$221 million just in June alone; for the year, it's about \$1.1 billion on the negative side. So here we are—this is how we do business in Ontario, apparently, under the Liberals—\$1.1 billion. We lost about \$1 billion last year, and the year is not finished. And here we are, we're selling off Hydro One and we're expected to realize \$5 billion towards the debt. We're going to talk about that little calculation a little later. But the \$4 billion that you folks are going to put into infrastructure—if you

actually managed the system and didn't lose \$1 billion a year, we'd already have \$4 billion for infrastructure.

That's just on the losses on the sale of electricity in the last number of years. That's \$4 billion. So if it's that easy to lose \$4 billion, I think a lot of people are wondering how easy it will be for you to lose \$4 billion when you get it in one lump sum.

Is it not a fact, Minister, that if you had managed the system better, we would not have lost—I know you've got to have some surplus generation, some surplus capacity, but it is absolutely unbelievable that you could manage a system that poorly, that you could lose \$1 billion a year on the sale of hydro that we generate as a surplus at times when we can't use it. By the time we actually get the \$4 billion for the sale of Hydro One, we'll probably be another couple of billions of dollars down on energy sales because of all the steps you're taking to mitigate the increases in hydro rates. Would you not concede that if we weren't losing \$1 billion a year on the sale of electricity to other jurisdictions, we'd already have \$4 billion?

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Hon. Bob Chiarelli: The reality is that we have surplus electricity because we have a reliable system. Because we have surplus electricity, we put it to good use. Electricity exports bring revenue to Ontario that we would not otherwise receive, which reduces cost for Ontario consumers. Revenue from electricity exports reduced costs for Ontarians by \$320 million in 2014. Any export revenue is beneficial to domestic electricity consumers because it helps to reduce the costs in the system.

Our strong supply situation allows us to generate revenue for Ontario. In January 2014 we exported to Quebec, who was experiencing record peak demand due to colder-than-normal temperatures. Over a nine-day period we generated over \$8 million in revenue. In fact, in that month alone we generated over \$56 million in revenue from exporting our electricity. Exports help cover system costs that otherwise would have been paid by Ontario consumers.

It is good for the system to have a surplus capacity so that it's there when we need it, and we export it in the meantime to lower costs in the system.

The Chair (Ms. Cheri DiNovo): Thank you, Minister. I'm afraid the time is up now for the official opposition.

Mr. John Yakabuski: Time is up?

The Chair (Ms. Cheri DiNovo): Yes.

Mr. John Yakabuski: You'd better check that clock.

The Chair (Ms. Cheri DiNovo): It's now time for the third party. Mr. Tabuns: 20 minutes.

Mr. Peter Tabuns: Thank you, Chair. Minister, going back to the matter that we've been discussing, this \$2.6 billion that is coming through your ministry in the supplementary estimates, this money wasn't in the budget that we voted on in the spring. Where is it coming from?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: It would come from the CRF, the Consolidated Revenue Fund. The determination of

the amount of departure tax wasn't made at the time of the budget, so that's why it wasn't included in the budget. The Minister of Finance would make that determination.

Mr. Peter Tabuns: So it comes out of a contingency fund, or is it money that we're borrowing?

Mr. Serge Imbrogno: I don't have those exact—

Mr. Peter Tabuns: Could you get that exact information for us?

Mr. Serge Imbrogno: I would assume it's from borrowing, but I will check and see if it's from the Consolidated Revenue Fund.

Mr. Peter Tabuns: Just to make sure that that's recorded: You'll get back to us and tell us where the \$2.6 billion comes from. Correct?

Mr. Serge Imbrogno: Yes, I'll get back to you on that.

Mr. Peter Tabuns: Do you think you'll be able to get back—we're sitting this afternoon and tomorrow. Is tomorrow possible?

Mr. Serge Imbrogno: I'll make every effort to get it to you.

Mr. Peter Tabuns: Thank you.

In the release that was put out by Hydro One at the time of the issuance of the IPO—you were there at the press conference, Minister—Hydro One noted that it would be borrowing an additional amount of approximately \$800 million to, together with other transactions, recapitalize its wholly owned subsidiary Hydro One networks and pay a cash dividend or return of capital to the province of \$1 billion.

Minister, can you tell us if that money is coming to the Ministry of Energy? Is it coming to the Consolidated Revenue Fund?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: That would go to the Consolidated Revenue Fund.

Mr. Peter Tabuns: And why is Hydro One paying this out? Is this a debt that ratepayers will have to cover in the future?

Mr. Serge Imbrogno: No, I think Hydro One would optimize its capital structure. I think that it's noting that it will have additional ability to make a dividend payment back to the province.

Mr. Peter Tabuns: So it's going to increase its debt, something that ratepayers will have to fund in the future. Is that not correct?

Mr. Serge Imbrogno: I don't think it's increasing its debt. I think it's paying a special dividend to the province.

Mr. Peter Tabuns: Specifically, it is expected that Hydro One will borrow an additional amount of approximately \$800 million. Typically, I think of that as increasing your debt. Is that not correct?

Ms. Sharon Geraghty: Hydro One is going to be borrowing an additional \$800 million to put its capital structure where it optimizes in 60-40 that is—I'm going to say I don't think "required" is quite the right word for OEB, but it's the structure that you're supposed to have from an OEB perspective. They are putting their capital

structure back to that 60-40, which they think optimizes their position.

Mr. Peter Tabuns: So there will be more debt, the payment for which will be recovered from ratepayers. Is that not correct?

Ms. Sharon Geraghty: I'm not a rate expert; however, the 60-40 structure that I just described is what is assumed for rate purposes in any event.

Mr. Peter Tabuns: I think it's fair for me to assume that Hydro One is taking on more debt to meet this ratio that you've noted and that ratepayers will be paying in future to reduce the interest payments and the capital. It will become part of the debt structure and it will become part of the rate base; correct?

Mr. Serge Imbrogno: It's the deemed capital structure that's approved by the OEB, so the OEB sets that capital structure. Hydro One, through its recapitalization, is just meeting that capital structure.

Mr. Peter Tabuns: Yes, and it's taking on more debt—debt that ratepayers will have to pay in future.

Mr. Serge Imbrogno: It's achieving what the OEB says is appropriate for it.

Mr. Peter Tabuns: That still doesn't negate what I've said.

Hon. Bob Chiarelli: That's a decision for the OEB as to whether it would be rate-based or not.

Mr. Peter Tabuns: Ah. So Hydro One won't be trying to secure funds to pay its debts through rates?

Hon. Bob Chiarelli: I'm going back to a time when I was mayor of the city of Ottawa at the time the Conservative government restructured and had the LDCs become Ontario business corporation corporations. The government and the OEB of that day designated the 60-40 split as being the appropriate financial management structure for an LDC. I think if you go across all of the LDCs, that's where it is. In fact, I think the decision was that there was too much equity in terms of the balance that's recommended for LDCs, and that was adjusted by paying that dividend to the province.

Mr. Peter Tabuns: I understand everything you've said, Minister, but it still says to me that Hydro One will have an extra \$800 million in debt, and I would be surprised if the OEB said that Hydro One couldn't recover the principal and interest costs from rates.

Hon. Bob Chiarelli: You may want to speculate on what the OEB does; I won't. Certainly all of the utilities don't speculate, because they're often told "no" or they get something—

Mr. Peter Tabuns: Do they routinely get turned down for trying to pay off their debt?

Mr. Serge Imbrogno: The OEB sets the deemed capital structure.

Mr. Peter Tabuns: Right.

Mr. Serge Imbrogno: Hydro One is trying to meet that deemed capital structure. They're not collecting more than the OEB would allow; they're collecting what they believe is allowable under the OEB rules.

Mr. Peter Tabuns: Okay. Also in that news release, Hydro One has agreed to terminate, effective October 31,

2015, the existing indemnity from the Ontario Electricity Financial Corp. in favour of Hydro One Inc. and certain of its subsidiaries that, among other things, indemnifies those entities in respect of certain matters related to the restructuring of the former Ontario Hydro in 1999.

Can you tell me what these “in respect of certain matters” are and what the indemnities are?

Ms. Sharon Geraghty: I'll attempt to do that.

Mr. Peter Tabuns: Thank you.

Ms. Sharon Geraghty: The OEFC indemnity that you described indemnified the company. When the assets that the minister described were split up into those two companies by the previous government, they had to decide which went where. To the extent that there was an error and there was a cost involved to Hydro One, in this case, to get the assets that it was expected to get, the government agreed to provide an indemnity for that. The government received \$5 million each year as compensation for that indemnity. There's never been a claim under that indemnity. In this context, the OEFC and Hydro One agreed to terminate the indemnity going forward.

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Mr. Peter Tabuns: So there's no longer an indemnity for potential errors in calculation at the time of set-up of Hydro One? Is that correct?

Ms. Sharon Geraghty: It has been 16 years since that time and there has been no claim under the indemnity. The company felt that it could terminate the indemnity.

Mr. Peter Tabuns: Okay. So that's what that refers to.

Minister, in a media conference you were asked if the province would have sold Hydro One even if it didn't need the money for transit infrastructure. You indicated that it may well have. Why would this government want to sell Hydro One if it didn't need the cash for infrastructure?

Hon. Bob Chiarelli: First of all, we're not selling Hydro One, as you know.

Mr. Peter Tabuns: You're selling a majority share of it.

Hon. Bob Chiarelli: We're maintaining a very significant ownership in it. There are also governance provisions which enable us to protect the public, and new legislation in that regard. There are corporations that are doing extremely well in that sector. Strictly from an asset management point of view, some future government might very well have looked at it and said, “This might be better done in a way that will enable the company to be more competitive and enable the company to get into different business areas.”

We're learning a lot about what's happening in the electricity system right now. There are jurisdictions across North America where they have an expanding economy, and at the same time as they have an expanding economy they're seeing a reduction or flatlining of demand because of efficiencies and new technologies. There are various jurisdictions. In fact, we're projecting a flat demand—

Mr. Peter Tabuns: Yes, I've noticed that.

Hon. Bob Chiarelli: Okay. And a lot of that comes from conservation, efficiencies etc. What's happening is, these LDCs have the prospect of, in effect, a reducing income level, and at the same time they have to maintain the assets. They are looking at new ways, in the energy or the electricity sector, to generate revenue to make them sustainable. Hypothetically, Toronto Hydro can get a franchise on the new Tesla battery, which people use to help them conserve energy in their homes. They would then have a line of business, which would be the battery business, that would benefit the system and the consumer but also benefit their revenue because—

The Chair (Ms. Cheri DiNovo): Two-minute warning until recess, Mr. Tabuns.

Hon. Bob Chiarelli: —as the system is more efficient with more conservation, the business plan for utilities could very well become compromised. So that's why you're looking at PowerStream, for example, that's looking into some of these other areas.

Mr. Peter Tabuns: But why would you sell a company when you're already well aware of strategies that LDCs and transmission companies can utilize to protect their income stream in the years going forward? Why would you sell this when it clearly is going to generate an awful lot of cash?

Hon. Bob Chiarelli: I don't think I've made clear what I was saying. What I'm saying is, the business case that we know now for LDCs will not be holding up over time because they're going to be getting less revenue because there's less consumption and less demand.

Mr. Peter Tabuns: So investors are going to be buying a company that's going to have a decreasing share of revenue and decreasing market in the next decade?

Hon. Bob Chiarelli: The rate base is going to continue to expand. A municipality, when you look at their tax revenues, as you build more buildings and more subdivisions, you get more taxes because of the growth. The same thing applies to the LDC. They're going to be generating revenue because of the base that is growing, but the amount of revenue they're going to be getting from each customer is going to be less. It compromises the business plan moving forward.

There are LDCs across North America, including PowerStream, which is a leader in it, Peterborough Utilities and Hydro Ottawa to a certain extent, that are starting to address that issue. For example, Hydro Ottawa, through their holding company, has purchased some dams in New York state.

The Chair (Ms. Cheri DiNovo): I'm afraid that is all the time we have this morning. We are in recess until this afternoon at 3:45. See you all then.

The committee recessed from 1015 to 1550.

The Chair (Ms. Cheri DiNovo): Finally. Good afternoon, members. We are here to resume consideration of the estimates of the Ministry of Energy. There are a total of 10 hours and 28 minutes remaining. When the committee recessed this morning, the third party had seven minutes left in their questioning rotation.

Just a note: If you're one of the deputies who are coming up or one of the staff, please introduce yourself into Hansard before you begin to speak. Thank you.

Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Chair. A question to the minister, and he may refer it to the deputy minister: What was the purpose of the departure tax on the sale of local distribution companies?

Mr. Serge Imbrogno: Well, the departure tax is part of the income tax. It applies to all municipal electric utilities.

Mr. Peter Tabuns: Why was it set up in the first place?

Mr. Serge Imbrogno: It was set up as part of the federal Income Tax Act. It's not something that the province would impose. It's part of the Income Tax Act.

Mr. Peter Tabuns: Okay.

Mr. Serge Imbrogno: It applies to any company that leaves a non-taxable regime into a taxable regime.

Mr. Peter Tabuns: Okay. So when other local distribution companies in Ontario are privatized—and they may well be, given the changes in the law—will the departure tax be paid by the new private corporation, or will the municipality that owned the corporation be paying the tax?

Mr. Serge Imbrogno: The departure tax would be paid by the shareholder.

Interjection.

Mr. Serge Imbrogno: So the municipal shareholder, the LDC, would pay the tax.

Mr. Peter Tabuns: Sorry?

Mr. Serge Imbrogno: The shareholder, the LDC, would pay the tax—the LDC before it departs, but the LDC is owned by the municipalities. So you could say it's the LDC, but the LDC is owned by the municipal shareholder.

Mr. Peter Tabuns: So at the point of departure, the new local distribution company won't have to pay anything?

Mr. Serge Imbrogno: The departure tax is a calculation and it varies by LDC, so it's not a set amount. It really depends on how much tax you've paid up to a certain point in time, so there's a calculation that's made. It's not a set amount. It would vary from MEU to MEU as they depart.

Mr. Peter Tabuns: I guess I want to know: Does the money come off the balance sheet of the new privatized utility or does it come off the balance sheet of the municipality that sold it?

Mr. Serge Imbrogno: It would be paid by the LDC, and whether the shareholder of that LDC wants to make an equity injection like the province did is the choice of the LDC and the shareholder—

Mr. Peter Tabuns: Okay. But in the end, it's the LDC that has to pay it?

Mr. Serge Imbrogno: Yes.

Mr. Peter Tabuns: All right. You had said earlier today that the \$2.6 billion that is coming from the new Hydro One for departure tax is going to the Ontario Elec-

tricity Financial Corp. to pay off the residual stranded debt?

Mr. Serge Imbrogno: No, the stranded debt.

Hon. Bob Chiarelli: There's two types of—

Mr. Peter Tabuns: No, I understand there are two types. So it's not going to pay off the residual stranded debt?

Mr. Serge Imbrogno: It goes to pay down the stranded debt, and then the OEFC—well, the Ministry of Finance—will make a calculation every year about where they are and the defeasance of the residual stranded debt. So this would help to pay down the stranded debt, but there's a whole other calculation they would have to make to determine if the residual stranded debt is defeased.

Mr. Peter Tabuns: Sorry, I'm not familiar with the word "defeased." What does that mean?

Mr. Serge Imbrogno: Well, "defeased" is when it can end. If you have enough revenues going forward to pay off the remaining debt, you would say that the residual stranded debt is defeased and you would end the debt retirement charge.

Mr. Peter Tabuns: Residual stranded debt was \$2.6 billion in 2014. Let's assume that almost nothing was paid. Let's say it's still \$2.6 billion; \$2.6 billion is going to go from Hydro One to OEFC. Why is the stranded debt not going to be paid off?

Mr. Serge Imbrogno: Well, I don't have the figures in front of me, but the stranded debt itself is more than the residual stranded debt. It's probably in the \$10-billion-plus range. It may be more than that. I can get you exact numbers.

Mr. Peter Tabuns: No, I checked that out. But it was interesting to me that the debt retirement charge which is being taken off residential bills is going to continue on other electricity user bills until the stranded debt is retired.

Mr. Serge Imbrogno: Until the residual stranded debt—

Mr. Peter Tabuns: Sorry. Yes, you're right; the residual stranded debt.

Mr. Serge Imbrogno: Yes.

Mr. Peter Tabuns: And given that \$2.6 billion is coming in, there's \$2.6 billion in residual stranded debt, why is it that the other electricity users are going to still be stuck with this bill?

Mr. Serge Imbrogno: This is really a Ministry of Finance calculation. I've given you the high level. They'll have to make that calculation because it does measure not just what you have today but it's a forecast of what the revenues are going forward. They'd have to look at: What are the payments in lieu of taxes that we're expecting from Hydro One, OPG and the LDCs? What is the net income consolidation? So there's a whole calculation. That's not just a point-in-time estimate.

Mr. Peter Tabuns: So, in fact, with Hydro One leaving, there will be less money coming to pay off that stranded debt; is that not correct? Because currently what

is generated by Hydro One is folded in with OPG and is used to pay down that stranded debt?

Mr. Serge Imbrogno: Part of that would be captured by the departure tax, that lump sum payment. So there'd be other gives and takes in that.

Mr. Peter Tabuns: The departure tax, as I've noted from going through the documents, covers taxes for about five years from now—

Interjections.

Mr. Peter Tabuns: You're consulting, gentlemen?

Mr. Serge Imbrogno: No, we're just talking about—sorry. Could you repeat—

Mr. Peter Tabuns: Anyway, if we held onto Hydro One, we would have—I think it's a \$500-million dividend that's projected for next year. We'd have that for the next decade if we held onto it. If we sell it, then five years from now that won't be our revenue.

Mr. Serge Imbrogno: Well, we would have—the net income is devoted to the OEFCE—the payments in lieu of taxes. We would still own 85% after the first tranche and then up to, I guess, 40% at some point. So that would still be part of the revenues that we bring in. I guess the \$2.6 billion is kind of a payment up front of some of those taxes you would have received over time.

Mr. Peter Tabuns: I guess we can ask the Minister of Finance at another time why he isn't using the \$2.6 billion to pay off the residual stranded debt so that we can end those extra charges on people's hydro bills. You would think it would be a very neat match.

Mr. Serge Imbrogno: As I said, it's a modelling effort that goes beyond just the point-in-time estimate. That takes into account all these other flows over time and not just from Hydro One but from the LDCs—

Mr. Peter Tabuns: Oh, no. I know there are others—

The Chair (Ms. Cheri DiNovo): Thank you. That's the 20 minutes. Thank you very much.

We're going to move to the government side now for 20 minutes. Mr. Delaney.

Mr. Bob Delaney: Thank you very much, Chair. Being from Mississauga and having in our constituency, of three of the northwest neighbourhoods, Lisgar, Meadowvale and Streetsville, one of my constituents of course is Enersource Hydro Mississauga. We actually have a very, very good dialogue. They visit me a few times a year; I visit them a few times a year. So what I want to talk about is the proposal to merge Brampton Hydro with Enersource, Horizon and PowerStream.

When we've talked to many of the municipalities at AMO, one of the things that we've always made clear is that if there is a merger among local distribution companies, it won't be either an arranged marriage or a shotgun marriage; it will be a romantic marriage. Indeed, that's exactly the way that this particular proposal has proceeded. In fact, among the employees and certainly speaking of Enersource, their employees stay there a long time, and it's not at all uncommon to find that one is talking to an employee who's been at Enersource for 20 and sometimes 25 years. The fact of the matter is that the

employees themselves are fully supportive of this particular merger.

As I've been speaking with Enersource about it, they've talked about the flexibility post-merger to be able to do some very innovative things, and it's their opinion that this is going to minimize cost increases and indeed achieve some potential synergies, cost savings and other efficiencies that would allow them to pass along these savings after the merger. I know that local distribution company consolidation is something that our government has focused on in encouraging the local distribution sector. Enersource, of course, is aware of the scope that the OEB has. In fact, the OEB decisions are, as they've described to me, already made for the transmission and distribution sectors and apply for the next two to three years.

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I'm also aware, as we've often told municipalities at the conferences of the Association of Municipalities of Ontario and the Rural Ontario Municipal Association, that the province has decided not to force consolidations, but instead to create the conditions necessary to allow willing partners to be able to consolidate if they so choose.

I want to end this part by asking the minister if he would inform us a little bit about the benefits of the proposed merger of Hydro One Brampton with the aforementioned Enersource, PowerStream and Horizon, as well as of what the province is doing to encourage local distribution companies to explore the same options and see whether or not those conditions would enable them to be equally diligent on behalf of their ratepayers as Brampton Hydro is.

Hon. Bob Chiarelli: Thank you for the question. The whole issue of consolidation is not a recent significant issue in Ontario. Going back 15 years or so, we had over 300 LDCs, a lot of them very small LDCs. Through a process of various governments, it gradually was whittled down to where we had about 77 five or six years ago; we're down to about 70 now.

There are reasons for consolidation. The Ontario Distribution Sector Review Panel was established in 2012. It was chaired by Murray Elston, Floyd Laughren and David McFadden. They did a thorough review of looking at what the optimum number of LDCs would be for the province of Ontario. They recommended that LDCs merge or consolidate to create eight to 12 regional LDCs. They recommended mandatory consolidations. We did not accept the "mandatory" component. We thought it was important that the LDCs and particularly the municipal LDCs should have the discretion to do that.

The panel suggested that this would result in a net benefit of roughly \$1.2 billion over 10 years in present-value terms. Despite the findings of the panel and the challenge issued by the ministry, recent consolidation activity has been limited. It has been limited in part because of the tax regimen, including the departure tax. In the course of moving forward with the Hydro One initiative, in advance of that, we actually made some

changes to the tax regimen that would make it less tax-punitive. That has generated a lot of interest among LDCs across the province. A lot of them are talking to each other. They're talking to investors who are looking at joint ventures. We expect that a lot more consolidation will ensue.

Our government intends to proceed with the merger. It's in process, and it's close to the end of the process, for Enersource, Horizon, Hydro One Brampton and PowerStream to ensure value for the province as part of our asset optimization and to encourage local distribution company consolidation for the benefit of ratepayers. This merger represents a major step forward in promoting LDC consolidation in Ontario in line with the recommendations made in the 2012 distribution sector panel report. Together, the merger of these three strong-performing utilities with Hydro One Brampton will create the second-largest electricity distributor in Ontario by number of customers. The merged entity would deliver efficiencies in economies of scale. This approach will create an improved company that will better serve the interests of customers.

Enersource, Horizon and PowerStream anticipate \$355 million in savings in operating costs over the first 10 years. The savings would allow for a 5.9% reduction in customer distribution rates. The merger would improve returns for all municipal shareholders involved and provide increased revenue for their municipalities. The details of the proposed merger will now be presented to municipal shareholders for approval. They're just in that process right now. The proposed Hydro One Brampton merger represents a major step forward for LDC consolidation in Ontario and encourages further LDC consolidation.

In addition to this merger, which we believe will spur LDC consolidation, and in order to further promote consolidation of the electricity distribution sector for the benefit of ratepayers, the province has initiated time-limited relief of taxes pertaining to electricity asset transfers for LDCs, including transfers to the private sector, for the period beginning January 1, 2016, and ending December 31, 2018.

The public interest benefits of greater LDC consolidation include improved efficiency and ratepayer savings, strengthened service and reliability, and modernization of the distribution system.

Before I turn it over to Deputy Minister Imbrogno and ADM Michael Reid, I just wanted to talk about a comparison. If you look at what we used to have in terms of number of LDCs, over 300 in the not-too-distant past, and also look at California—California has a population greater than the population of all of Canada and it's got four distribution companies. There are reasons why consolidation has been occurring in Ontario and why it has consolidated as well in California and many other jurisdictions. It simply makes administrative sense and provides for better service delivery.

With those comments, I'll turn it over to Deputy Minister Imbrogno and ADM Michael Reid.

Mr. Serge Imbrogno: I'll ask Michael Reid to come up, ADM of our SNAP division. That's the strategic, network and agency policy division.

The LDC consolidation has been a consistent theme of the Ministry of Energy. We really think this is a way that we can find efficiencies that can be passed on to customers. We've been consistently looking for those efficiencies through the panel that we struck and also in our long-term energy plan.

I think Michael can walk you through some of the events that have been happening in the sector, some of the changes that are going on and what we expect to happen in the future.

Mr. Michael Reid: Thank you, Deputy, and thank you, Minister. I'm Michael Reid, assistant deputy minister at the strategic, network and agency policy division at the Ministry of Energy.

What I'd like to do is maybe provide a little bit more detail and a little bit more context around the comments that have been made by the minister and the deputy about the work we've been doing with respect to local distribution company consolidation and finding efficiencies from the local distribution company sector. At the ministry, finding ways to save ratepayers money is a key priority and the distribution sector has been a key area of focus, given that it is one of the cost drivers in the electricity system.

By way of a little bit of context, as the minister and deputy have already noted, over the last decade or so the province has moved from some 300 local distribution companies to—I think there's about 73 regulated local distribution companies in the province right now. A lot of that activity occurred in the early parts of that period and, over the recent past, activity has slowed in terms of consolidations. That's why the Ontario Distribution Sector Review Panel, which both the minister and deputy have referenced, was struck by the government in 2012.

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The panel was struck in April 2012 and, as has been noted, was chaired by Murray Elston and included David McFadden and Floyd Laughren. The panel took a considerable period of time talking to all parties in the distribution sector in terms of doing its analysis and advice, to prepare the report for government on what they thought were the opportunities and the savings potentials in the local distribution company sector.

The panel presented its report to the government in December 2012. It was called *Renewing the Ontario Distribution Sector: Putting the Consumer First*. What they concluded was a couple of key things with respect to the local distribution company sector. For example, they did find that there were significant savings, as the minister mentioned, on a net basis. It was about \$1.2 billion that they thought was there to be saved in the sector over a 10-year period. Some of the key drivers of those potential savings were things like how, compared to larger local distribution companies, for example, smaller local distribution companies tended to have higher operation, maintenance and administration costs per customer, which is directly passed on to ratepayers.

There was also, given that there are so many distributors, duplication of equipment and facilities in terms of the boundaries between local distribution companies, and they thought there were significant opportunities for savings there. They also noted that the large number of LDCs also increased regulatory costs and that it's just a significant amount of applications, for example, that the Ontario Energy Board has to adjudicate and process each year, given the 73 regulated utilities.

Some of the other things they mentioned as well were that, in addition to things like OMNA costs, smaller local distribution companies also had to pay more to raise capital to fund their capital projects as opposed to larger LDCs, which had an easier time raising capital and lower costs of capital.

So those were a bunch of the things that this panel, when they put them into the mix, found could achieve significant savings in the distribution company sector.

The Chair (Ms. Cheri DiNovo): Just so you know, Mr. Reid, you have about five minutes left.

Mr. Michael Reid: Okay, great. Thank you.

Mr. John Yakubuski: That was a tough question. It takes a long time to answer.

Mr. Bob Delaney: It was a tough question.

Mr. Michael Reid: In terms of some of the cost savings that they—

Hon. Bob Chiarelli: Can we hear unanimous consent so he can go on for another 20 minutes?

Interjections.

Mr. Michael Reid: In terms, then, of some of the savings that the panel did say they could achieve: As noted, it's a \$1.2-billion figure, which is a fairly significant figure. As the minister has noted, though, the panel also suggested that this should be done through basically carving the province into eight to 12 regional distributors, and they set forth a process whereby they suggested that distributors have a couple of years to figure how to do this, and that if at the end of those couple-of-year periods it hadn't happened, it should be mandated. As the minister has already noted, the government decided, in terms of the panel's report, not to accept the recommendation about mandatory consolidation, but to instead take an approach that it should be a voluntary consolidation between willing partners.

But the government and the ministry were very interested in achieving that \$1.2-billion savings target. So, for example, when the province's 2013 long-term energy plan was released, you could see in that long-term energy plan a bit of a challenge to the local distribution company sector, a challenge that there are these savings to be had and that they should be pursuing consolidation activities where that made sense. But the long-term energy plan also called out innovative partnerships and new, innovative ways of doing business that LDCs could also pursue, which may not go all the way to consolidation but would also maybe reap some of the savings benefits.

That challenge was put out, in terms of the long-term energy plan, to start having these local distribution

companies achieve those savings. Then, following the release of the long-term energy plan, the government has also put in place a couple of other measures, some of the tax measures that have already been noted, that will hopefully also create a playing field within which local distribution companies can continue to have these discussions about consolidation and innovative partnerships.

Some of these changes were announced in the recent budget and did include, as has already been noted, changes to some of the departure tax regime that's already been discussed here today, as well as some changes to the transfer tax regime. In particular, the changes to the transfer tax regime were twofold. The first change to the transfer tax regime was reducing the former rate of a 33% transfer tax on consolidation to 22%. The second change was that smaller distributors, those with fewer than 30,000 customers, in particular, would be exempted from the transfer tax altogether. The hope is that, given the conversations that have already started in the distribution sector, given the distribution sector panel report as well as the challenge in the long-term energy plan, these are other changes that'll just help support the momentum that's already built in the sector and continue to see consolidation activity.

The only other thing that I would mention, as well, is that, in terms of consolidation activity, the Ontario Energy Board, which we've already noted is responsible for hearing applications for rates, also reviews consolidation and merger transactions. So acquisitions and divestitures in the transmission and distribution space go to the Ontario Energy Board. When the board takes a look at these activities—whether it's a merger or amalgamation, acquisition or divestiture—in evaluating these proposals, it uses what's called a “no harm” test. Essentially, that “no harm” test takes a look at whether or not the proposed transaction would have an adverse impact, relative to the status quo, with respect to ratepayers, ultimately. The board itself will opine and ultimately adjudicate on the consolidation activities or the consolidation plans of any two utilities. The board, in carrying out these “no harm” tests, is really guided by the objectives of protecting the interest of consumers with respect to price, as already mentioned, but also supply and adequacy, and also to promote economic efficiency and cost-effectiveness in—

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Reid. Your time is up now.

We move to the official opposition. They have 20 minutes.

Mr. John Yakubuski: Thank you very much, Madam Chair—

The Chair (Ms. Cheri DiNovo): Mr. Yakubuski.

Mr. John Yakubuski: Pardon me?

The Chair (Ms. Cheri DiNovo): Mr. Yakubuski.

Mr. John Yakubuski: That is I. Thank you very much, Chair.

Thank you, again, for coming this afternoon, Minister. You talked about that at one time there were 300 and some LDCs in Ontario; I think it's 70-some today, and

you compared that to four in California—a much greater population, 40 million or whatever. But, just so that we understand where we're starting from, how many LDCs were there in California before they began consolidation?

Hon. Bob Chiarelli: I don't know the number right now. I'd have to—

Mr. John Yakabuski: But we're not starting from a—I'm going to suggest that it's unlikely we're starting from a similar number. It's unlikely there were 300-and-some LDCs in California when they began consolidation.

Hon. Bob Chiarelli: My understanding is that there was a process of consolidation, but I don't know what the starting number was.

Mr. John Yakabuski: Right. Okay. I just think, when you're using comparatives, it's important to have all of the information. Anyway, that's not my question. I just thought you might have had that information for us.

You were talking this morning about when you have a surplus in generation and you've made a surplus—I think you used the word “surplus” and that you've made good use of it; and another time you were talking about if you gave me \$20 and I gave you \$20. Well, I'm going to paint a little different scenario. Supposing you had a flock, or whatever we call it, of laying hens and they produced so many eggs, but you couldn't sell all those eggs. Would you get more laying hens, or would you try to get rid of some of those laying hens? What would you think would be the right thing to do?

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Hon. Bob Chiarelli: I guess my answer to that is, representing the riding of Renfrew–Nipissing–Pembroke, you know about laying hens; I don't.

Mr. John Yakabuski: Well, you just laid an egg, I'll tell you that much. But, anyway, we'll move on from there.

Let me answer my own question. If you're in business—and you've maintained for a long time, Minister, that you want to run the electricity system in Ontario in a more businesslike fashion because you want it to be efficient, to represent and to be best for the people of Ontario. Whether you're making widgets or whether you're laying eggs, if the supply exceeds the demand, you're very likely going to do something to reduce the supply. It's simple economics, and I know you're a businessman from your previous life; you do know economics.

So you'd know that the right thing to do would be not to increase your supply, and especially if you're buying high and selling low—not the secret to making money in the stock market—but this is what you've done in the electricity system here in the province of Ontario. You buy high, you sell low, and when supply exceeds demand, you continue to increase supply.

Here's what's happened—and I know you trumpet your conservation programs as being a positive, positive thing, but here's what actually happens. So you've got Mr. and Mrs. Smith. We'll just throw them in because Mr. Smith is beside me, but these would be a much older Mr. and Mrs. Smith, who built a home in the 1970s. It's got baseboard electric heat. But they also had to install

air conditioning because now both of them suffer from respiratory issues. They're in their late seventies, early eighties.

Here they are, trapped in Liberal Ontario. In the wintertime, they've got baseboard heating. They can't afford to sell their home, but we want to keep them at home because that's what your government keeps saying: Let's keep our people at home as long as we can; we don't want them in the long-term-care homes or we don't want them in the hospital, so we're going to keep them at home. But the cost of heating that home in the wintertime is absolutely astronomical, because it's baseboard heating. Remember back in the 1970s when the Cascade 40—“It's electric, water's hot, get your Cascade 40 water heater”—and put in the baseboard heaters? All those people working for you—some of them were there in the 1970s but some of them weren't even born, probably.

Here we are now, today, and they can't afford it. That same couple now, in the summertime, the doctor has told them—and I know you're at war with the doctors, but that's not you personally—“You have to have that air conditioning going because of your respiratory issues, and we want to keep you at home.” So here we are now in Liberal Ontario. They have all of these conservation demand programs, which are designed to take down the demand for electricity; in turn, they drive up the cost of electricity because they all are added to that rate base; they all go into that global adjustment and drive up the cost of electricity to that very couple who is already hampered by the cost of electricity in your version of Ontario.

They're doing everything they can to reduce their use of electricity, so their consumption has dropped, relative to what it could be. They're managing as well as they can, but their hydro bills continue to rise because everything that you've done, purportedly, from your point of view, to help them, is actually hurting them, because every time you come up with a new program or especially when your supply exceeds demand, you're continuing to drive down demand even further, which continues to drive up the price.

How are we supposed to answer to that couple that is doing everything they can to reduce their actual kilowatt hours of electricity, but the price continues to go up because of all of the policy decisions that your government has made? And it starts with the Green Energy Act—and I don't hold you personally responsible for the Green Energy Act; you had predecessors who were the architects of that mess. How are we supposed to explain to that couple that has done everything they can to manage their electricity usage, and their bills keep going up? How do we do that?

Hon. Bob Chiarelli: Well, you alluded to the Green Energy Act putting pressure on prices. There was something that was much more significant than the Green Energy Act that put pressure on prices. It actually necessitated the electricity system spending about \$34 billion. That put a lot of pressure on electricity prices. It's because, for some strange reason, the province of Ontario

ended up with a deficit of electricity. It did not have enough electricity to meet its demand. It was importing \$1 billion a year—expensive power.

In addition to that, the system had been under-invested in. We had actually lost generation capacity; that's why we're into deficit. We lost transmission capacity. So somebody had to make the system reliable and had to rebuild it. That took \$34 billion. The majority of it had nothing to do with the Green Energy Act and renewable, which a lot of people like to attribute to the pressure on prices. That \$32 billion included building 20 new gas plants. It included the \$1.2-billion Niagara tunnel, which was water power. It included \$2.6 billion to expand the Lower Mattagami dam. It included \$1.2 billion to build new transmission from Bruce Power to Milton. All of that put tremendous pressure on prices.

We had to have a system that was clean as well. So we took the opportunity, in rebuilding the system, to get rid of dirty coal. Getting rid of dirty coal—

Mr. John Yakabuski: My question, Chair, was: What do we say to the couple?

Hon. Bob Chiarelli:—actually saves the province \$4 billion a year, and that \$4 billion—

Mr. John Yakabuski: I only get 20 minutes.

Hon. Bob Chiarelli:—is in environmental costs and in health care costs. You don't see the smog days—

Mr. John Yakabuski: I know, Minister, you were a hockey player in your previous life and I know you even had a scholarship. I guess you were really good at ragging the puck, because that's what you're doing now.

Hon. Bob Chiarelli: How did you know I was a penalty-killer when I played hockey? That's what my job was.

Mr. John Yakabuski: Because I spent my life in the penalty box, but anyway. We're going to move on to the next one here.

I get your picture: We don't necessarily agree. But some of the things that you said actually play into our argument itself. You said that you built 19 or 20 gas plants, but you didn't build those to add capacity to the generation; part of it was exactly because the Green Energy Act was coming, and some of it since the Green Energy Act, because you know you have to have a reliable, dispatchable form of generation to back up the wind that you cannot dispatch. You have no power to dispatch the wind.

I want to get back to the cost. The other thing that adds to the bill for that poor couple, Mr. and Mrs. Smith—I hope they're watching. All of this electricity that you've given away, you're talking about buying electricity for \$1 billion a year; well, you're giving away \$2 billion a year. You're giving it away because—you know that egg thing I was telling you about? You're giving it away.

I want to know, when we calculate that into our global adjustment, does that actually include the potential power that has been allowed to pass over our dams, without generating a single kilowatt, because we allow all that water to pass over the dams when we're over-supplied, in

the middle of the night, with wind when we don't need it? What is the calculation for that, the amount of water we've allowed to pass over our dams that we've generated nothing from? Once that water goes by, we can't make the water go the other way. Water doesn't run uphill. So what's the calculation of that?

I presume—or I shouldn't; I never presume anything with you people. But I would hope that we've actually calculated the cost of the steam that we've blown off at our nuclear plants when they, as our baseload, get an order from the IESO to “shut her down, boys, because we've got the windmills blowing up at Shelburne; we have to take them.”

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I would like to believe that we calculate all of the costs of the steam that we've had to allow to expel at the nuclear plants during those times. Have you calculated, do you calculate, will you calculate, and can you tell Mr. and Mrs. Smith how much that water going over those dams that we've gotten nothing out of has cost them?

Hon. Bob Chiarelli: I'm going to ask the deputy to answer that question.

Mr. Serge Imbrogno: The IESO, in managing the system when there is surplus generation, would take into account whatever payments they would have to make to Bruce Power to manoeuvre the system. So those payments would be included in the cost of the global adjustment.

Mr. John Yakabuski: Pardon me?

Mr. Serge Imbrogno: The IESO would manage the system. They would determine when they would need to manoeuvre the Bruce units, for example, and run steam instead of producing electricity. They would make a payment to Bruce Power to compensate for that.

Mr. John Yakabuski: We understand that. Bruce gets compensated. I said that I presumed that that was calculated. What about the water that goes by—and once it goes by, it never comes back. Have we calculated the potential value of that water that could be used to turn those turbines at essentially free—the water is going by whether we get it or not. When we calculate the cost, it's the cost of operating the system. The water is free. Nature provides it. Have you calculated the potential value of that water that you allow to go by without generating anything, yet you're allowing wind and other renewables into the system?

Mr. Serge Imbrogno: OPG would be under a rate-regulated contract. They would receive their costs for the power they produce.

Mr. John Yakabuski: For the power they produce, but what about the water?

Mr. Serge Imbrogno: That would be part of the system management. The IESO would determine when they need the power and when they don't; when they need to spill water and when they don't.

Mr. John Yakabuski: But if the rules are that they have to accept the wind—if they were allowed to bring more of that water through the turbines, generating elec-

tricity, our cost of power would actually go down, would it not?

Mr. Serge Imbrogno: The IESO would optimize the system, and they would determine who runs and who doesn't run.

Mr. John Yakabuski: No, no, no, not about the IESO. The cost of power would go down, wouldn't it? Water power is cheap. We can get Paul Norris in here; he can tell you. Water power is cheap. If we were actually able to extract more of our electricity out of that water that you're allowing to pass over the dams while getting nothing out of it, our cost of electricity would go down, would it not?

Mr. Serge Imbrogno: The IESO is optimizing the system and they would determine who should run and who shouldn't run. They would make that calculation.

Mr. John Yakabuski: Optimizing? But they also have to work based on the policies of the government of that day; correct?

Mr. Serge Imbrogno: They would work with the supply mix that is intended to be balanced and achieve a number of objectives.

Mr. John Yakabuski: They work with the policies of the government of the day.

The Chair (Ms. Cheri DiNovo): Mr. Yakabuski, you have about five minutes left.

Mr. John Yakabuski: Five minutes? I'm going to take a break and pass this on to my colleague.

Mr. Todd Smith: Thank you, Mr. Yakabuski.

I guess the point that Mr. Yakabuski was trying to make when speaking of laying hens was that the government continues to keep putting up wind turbines and solar panels, which are the least efficient and least reliable forms of electricity, and they're forcing them on unwilling host communities when we already have a surplus of power.

Minister, what is the maximum power as far as megawatts that we have in the province right now? How many megawatts of power do we have? Total capacity.

Mr. Serge Imbrogno: I think it's 157 megawatts capacity.

Mr. Todd Smith: Right.

Hon. Bob Chiarelli: In the whole province.

Mr. Serge Imbrogno: The whole province.

Mr. Todd Smith: I was thinking it was more—

Mr. Serge Imbrogno: Terawatt hours; sorry. The power we produce: 37, 38, 40 megawatts.

Mr. Todd Smith: And on the peak day this past summer we would have required how many?

Mr. Serge Imbrogno: Some 22 or 24. At peak.

Mr. Todd Smith: Thousand megawatts. So my point is that we have a lot of the hens that Mr. Yakabuski is referring to but we continue to add more and more. Why are we continuing to add more when clearly we have far more than enough to meet the demand right now?

Hon. Bob Chiarelli: There's the question of reliability, number one. You need to have enough capacity for the worst possible situation. The worst possible situations could include something like the 1998 ice storm, when

the big transmission lines went down and there were huge areas of eastern Ontario that had no power for a long, long time. You access and you redirect the generation and the transmission to accommodate that type of situation. If you look at good energy management practices, an operating system needs to have reserve surplus available at all times, even though it's not using it.

Mr. Todd Smith: Let me ask you this question, then—

Hon. Bob Chiarelli: If I can use an analogy, if you have a fire station and you have three vehicles, four vehicles there that are not always on the road—you use them when the need arises.

Mr. Todd Smith: So your point is you want to have a reliable energy source for the province.

Hon. Bob Chiarelli: You want to have a reliable energy source, energy mix, and you want to have a reliable energy capacity.

Mr. Todd Smith: What is the most reliable source of energy that we have in Ontario?

Hon. Bob Chiarelli: The most reliable source of energy we have is our policy of our energy mix, because that's what gives us reliability. If you look at nuclear, nuclear is baseload; it's running all night long, it's clean, it's affordable and it's reliable, so it's used. But it's like having gears on a vehicle; nuclear takes a long time to ramp up and ramp down, so if you have a storm come in or you have units that go down anywhere, you use gas, you use renewables, you use hydro to fill that gap.

Mr. Todd Smith: Let me ask you about reliability, though, because the gas is there when you need to peak, right? Wind and solar: Would they not be the least reliable sources of electricity in the province?

Hon. Bob Chiarelli: I would say yes, they're the least reliable, but they are reliable and they form a part of the system.

Mr. Todd Smith: How are they reliable, Minister, if you never know when they're going to be available?

Hon. Bob Chiarelli: Well, first of all, there's a premise there that the province of Ontario is being irresponsible by having wind and solar. If we're being irresponsible by having wind and solar, so is Alberta, so is Nova Scotia, so is even Quebec, because they're all into wind, they're all into solar, and they're doing it because that's part of a reliable system and a clean system.

Mr. Todd Smith: But I would argue—

The Chair (Ms. Cheri DiNovo): I'm afraid we're going to have to drop it there. That is the end of your 20 minutes.

Mr. Todd Smith: Oh, that's too bad. That was just getting interesting.

The Chair (Ms. Cheri DiNovo): We're going to move on to the third party. Mr. Tabuns, 20 minutes.

Mr. Peter Tabuns: I understand, from an email circulated by staff, that you, Minister, will be getting back to this committee to confirm the source of funds for the \$2.6-billion payment to Hydro One.

Mr. Serge Imbrogno: I can answer that.

Mr. Peter Tabuns: You can answer that?

Mr. Serge Imbrogno: Yes. I think we talked about it being fiscally neutral. We've also just confirmed with the Ontario Financing Authority that it would be cash neutral. So they would have cash on hand; they would—these things almost happen simultaneously—transfer the \$2.6 billion to make that equity injection into Hydro One. Hydro One would then make the \$2.6-billion payment on departure tax back to the OEFC and the province. So in terms of cash, it would be cash neutral; it would almost happen instantaneously.

Mr. Peter Tabuns: And the cash, the \$2.6 billion that is coming from the province, is that borrowed or is that—

Mr. Serge Imbrogno: Well, that would be working capital—that the Ontario Financing Authority always has working capital on—it would be kind of an instantaneous transaction.

Mr. Peter Tabuns: So our overall working capital will drop by \$2.6 billion.

Mr. Serge Imbrogno: At a second, and then it would go back up to the \$2.6 billion.

Mr. Peter Tabuns: Sorry, it isn't going to go back into working capital, because that \$2.6 billion will transit through Hydro One and wind up with the Ontario Electricity Financial Corp.

Mr. Serge Imbrogno: The OFA manages all the cash for the province, the OEFC, so it's all part of the same envelope.

Mr. Peter Tabuns: So is the OEFC debt being reduced or not?

Mr. Serge Imbrogno: There's a difference between the cash and then the actual reduction and the PIL payment. There are two things going on. There's this cash transaction, but there is also the PIL payment that would make a real reduction in the stranded debt, which is different than just the cash transaction.

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Mr. Peter Tabuns: Let's go through this. The Ontario Financing Authority you referred to—

Mr. Serge Imbrogno: Manages the debt and the cash for the province.

Mr. Peter Tabuns: Okay. So out of its working capital, a little reserve that it has, to deal with bills as they come up, it's going to transfer \$2.6 billion to Hydro One. Correct?

Mr. Serge Imbrogno: Right. In exchange for that—

Mr. Peter Tabuns: In exchange for—

Mr. Serge Imbrogno: The capital contribution. So they're neutral on that. As the province would take our investment in Hydro—

Mr. Peter Tabuns: Sorry, when you say "capital contribution" you mean the province assumes ownership of greater than 100% of Hydro One?

Mr. Serge Imbrogno: We would acquire an additional equity in Hydro One of that \$2.6 billion.

Mr. Peter Tabuns: We own 100% of it now.

Mr. Serge Imbrogno: Well it would be \$2.6 billion in addition to what we would have. We would have 100% of a larger amount.

Mr. Peter Tabuns: So we've reduced our working capital, and on the other side of the ledger you say that we'll get a certificate showing that we have \$2.6 billion more in equity.

Mr. Serge Imbrogno: Correct; and that's fiscally neutral.

Mr. Peter Tabuns: And is that \$2.6 billion convertible to cash when we need it for things like subways?

Mr. Serge Imbrogno: That would be our investment in Hydro One, and then when we move forward with the broadening of the ownership, then that's when we would receive our proceeds for the investment in infrastructure.

Mr. Peter Tabuns: Mr. Imbrogno, if we give \$2.6 billion and we get \$2.6 billion back, how does that give us more money to build subways, bridges, roads etc.? If we had the \$2.6 billion in the first place, why are we circulating it through Hydro One?

Ms. Sharon Geraghty: Hydro One has got to pay the \$2.6 billion. That part is required, and the province is choosing to reinvest the \$2.6 billion. So the transaction, as has been described a couple of times today, is, from a cash perspective, neutral to the government.

Mr. Peter Tabuns: Well, no, we've acquired an asset which is not a subway, a road or a bridge.

Ms. Sharon Geraghty: But you first put \$2.6 billion into the company and then you received it right back. So there's no—

Mr. Peter Tabuns: In cash.

Ms. Sharon Geraghty: It went out in cash and it comes back in cash.

Mr. Peter Tabuns: We give Hydro One \$2.6 billion and they give \$2.6 billion back to the working capital that runs this province?

Mr. Serge Imbrogno: They would make their payment to the OEFC, but they would make that payment in cash, which comes in to the province. The OEFC manages all of the cash for the province.

Mr. Peter Tabuns: But the \$2.6 billion that goes from Hydro One to pay the departure tax goes to the OEFC and is then used to pay off debt. Is that not correct?

Mr. Serge Imbrogno: The OFA manages the debt on behalf of the OEFC and they would make whatever optimal payment—they might hold it in cash, they might have bonds that are due, and over time they would pay it, but it would be to the credit of the OEFC.

But the province, as a whole—it's cash that matters to the OFA in terms of managing the cash, and they would have \$2.6 billion that they would have paid out and they would have received \$2.6 billion.

That \$2.6 billion for the departure tax would be to the reduction of the stranded debt—that account of the OEFC. So there's a distinction between the cash and the accounting.

Mr. Peter Tabuns: What I understand, from what you've said, is that we have \$2.6 billion in cash that can be spent on a wide variety of things. It goes through this process of conversion and it's used to reduce the debt that the OEFC is currently responsible for: the residual

stranded debt. Correct? We've converted working capital into debt retirement.

Mr. Serge Imbrogno: No, we've made the initial injection into Hydro One to acquire additional equity in the company. So we're down cash and we're up an investment, and that's neutral. Then Hydro One uses that money to pay their departure tax. So on a cash basis we're neutral and on a fiscal basis we're neutral.

Mr. Peter Tabuns: See, I have a very different interpretation. I guess that's obvious. We have \$2.6 billion that we give to Hydro One. At its departure from ownership by the province of Ontario—we're going to become a minority owner, not the majority 100% owner that we are today—they get that \$2.6 billion, money that they would normally have to give to reduce debt, money that is deferred tax payments they get to keep, and the province's money gets circulated to OEFC to pay down debt.

So the province has moved \$2.6 billion from one pot to another, but Ontario's overall debt has not been reduced. Hydro One has this huge benefit that its investors will get to enjoy for years to come.

Mr. Serge Imbrogno: Maybe we need just to finish it, because the departure tax is only triggered when we're actually pursuing the transaction. The immediate next step is the sale of the shares, and that's where the province would then get its proceeds to invest into infrastructure. All these things are sequential, but in the end, it's the transaction, selling the 15%, that gives the province the proceeds to make the investment in infrastructure.

Mr. Peter Tabuns: And it will get \$9 billion, or that is what has been projected so far?

Mr. Serge Imbrogno: The 15% is the initial transaction—

Mr. Peter Tabuns: No, I understand that.

Mr. Serge Imbrogno: Over time, there will be the sale of the 15%. But it's the proceeds that we've been focusing on. I think the number that has been in the public domain is in that \$4-billion range over the four years.

Mr. Peter Tabuns: The operations of the corporation are such that it will benefit from the \$2.6-billion injection of capital. It won't actually lose any to pay off the debt that was accumulated and held by the people of Ontario. Its rates will not be adjusted by the OEB to show this very generous gift on the part of Ontario. I don't see how we don't lose out on this.

Hon. Bob Chiarelli: Correct me if I'm wrong; I'm going to try and explain it maybe a different way. Hydro One is selling shares to the province. That's number one. They need the money to pay the tax, so they're selling shares to the province. The province buys those shares and puts \$2.6 billion into Hydro One. Hydro One uses that to pay the tax.

We have those shares, and those shares are part of what we sell to the public to realize cash back towards the \$4 million.

Mr. Peter Tabuns: I understand how you structure that, Minister, but we own 100% of it now. We're going

to sell off 60% of it, and the new owners will have years of a tax holiday paid for by the province of Ontario. The province of Ontario will be down \$2.6 billion in operating cash and it will have reduced the debt by \$2.6 billion. But the investors get to keep that gift, something that is not recovered against them by the Ontario Energy Board and is not passed on to the customers.

Hon. Bob Chiarelli: Sharon?

Ms. Sharon Geraghty: I'll try. At the time the departure tax is paid, it really is paid. That cost is not anticipated to be imposed on ratepayers. When the province then puts the \$2.6 billion in, it owns 100% of the shares. Yes, it still owns 100% after it puts the \$2.6 billion in, but the assets of the company have gone up by \$2.6 billion. As both the minister and the deputy said, as those shares are sold, the province will have the benefit of the additional value because they hold all the shares to which that \$2.6 billion is attributed.

From that perspective, the \$2.6 billion that's invested in the company isn't given away to anybody; it's invested in the company, and it increases the value of the shares that the province owns.

Mr. Peter Tabuns: I understand the argument you're making.

Ms. Sharon Geraghty: And the tax savings are enjoyed by all the shareholders, including the province.

Mr. Peter Tabuns: Right, which will be a minority shareholder.

Ms. Sharon Geraghty: But at the time that the tax asset is created, the province will own 100% of it. It sells off the shares and it reaps the value through the sale price. In some places, when it sells a tranche, it reaps value through the capital gain on that tranche. It reaps value through the increased value of the shares it sold. For the shares it retains, it continues to enjoy the value of those—that money being in the company—until it chooses to sell another tranche.

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Mr. Peter Tabuns: I think we're going to interpret this in two very different ways. I see this as a very large gift to these private investors. They will not have to pay tax. It will accrue to them as a benefit. The prospectus says that the OEB will not pass on those savings to ratepayers, that it will stay with investors, and I don't see that as a benefit to the people of Ontario—

Ms. Sharon Geraghty: Investors have to pay for the shares.

Mr. Peter Tabuns: That's true, and they will make money on that investment, money we could have made, and it will be gone.

I understand there are two pieces that we're looking for in terms of the return from the sale of 60% of this company: \$4 billion for infrastructure, which is, out of \$130 billion that's going to be spent on infrastructure, a fairly small percentage, and \$5 billion for debt reduction. What particular debt is that \$5 billion going to be devoted to reducing?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: Right now, there's the book value of Hydro One that's on the province's books. As you sell 60% of the shares, you would first pay off the book value. That would be that portion of the debt, so we'd pay off debt with that. Anything above the book value would be dedicated toward the Trillium Trust.

Mr. Peter Tabuns: I'm sorry?

Mr. Serge Imbrogno: Anything above the book value would be dedicated to capital gain, so to speak. It would be devoted toward the Trillium Trust to pay for infrastructure.

Mr. Peter Tabuns: Is the \$5 billion going to reduce the debt that is still owed for the old Ontario Hydro? Is it going to reduce the residual debt, the stranded debt?

Mr. Serge Imbrogno: It's not part of the stranded debt. It would be part of our investment in Hydro One. I think when there was the initial restructuring, there was a debt-for-equity swap, so I think it would pay down that initial debt.

Mr. Peter Tabuns: It won't go to the stranded debt?

Mr. Serge Imbrogno: No, it's not part of the stranded debt. For the lack of better words, it's a supported debt by the asset of the company, so it's not part of the stranded debt.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have about five minutes left.

Mr. Peter Tabuns: Thank you, Chair.

I'll come back to you on those issues.

What would happen to this deal if there were any injunctions or lawsuits filed as a result of the government's failure to consult with First Nations, as it is constitutionally obliged to do? This was identified as a risk factor in the prospectus.

Ms. Sharon Geraghty: I can only restate the risk factor. The risk factors did not state that the government was obliged to consult. It indicated, as we are required to do in a prospectus, risks. It acknowledged that that comment had been made and that there was a risk, but that doesn't mean that the government believes that that will happen.

Mr. Peter Tabuns: And if it were to happen?

Hon. Bob Chiarelli: If I can respond to that with a policy decision or direction for the government: I've had some discussions, with my staff, with Chief Day, chief of the Chiefs of Ontario. We intend to discuss the issue of some ownership in Hydro One on the part of the Chiefs of Ontario. We have provided capacity funding to them to hire financial advisers, legal advisers for the table that we are creating. We've had significant telephone consultation with representatives of the chiefs. We're working toward future meetings to discuss the issue. We believe that there is a place, that there is a policy that should be there to account for First Nations participation in the initiative.

This is not Hydro One. It won't be the new Hydro One initiative. It will be through the province as shareholder as we go through the IPOs and different stages of the IPOs. We are not at a point of discussing amounts or nature or how we could collectively cause that to happen,

but we're at the table in a very respectful manner and we think we'll be able to achieve an accommodation.

Mr. Peter Tabuns: And can you tell us when the consultations started with First Nations on this matter?

Hon. Bob Chiarelli: We have been having, over the course of the last year, year and a half, consultations with the First Nations table on a range of different issues, including their economic development-related issues relating to energy and how there could be additional participation.

The Chiefs of Ontario, about a month and a half or two months ago, at a meeting in Thunder Bay—that's when we had the first meeting with Chief Day and his advisers to initiate a process to deal with this. As I said, it's respectful, meaningful and it's very important to us on the government side that the First Nations have the capacity so that they now have the capacity to retain among the best financial consultants and advisers in the province, and legal counsel as well. We're anticipating, before the end of October, to have an opportunity to sit down with them again.

Mr. Peter Tabuns: Okay. How much time do I have left?

The Chair (Ms. Cheri DiNovo): About a minute.

Mr. Peter Tabuns: About a minute.

The question of maintenance of a 40% ownership share in Hydro One: I understand that the province's share purchases are subject to cabinet approval. So presumably if more and more shares are being issued, cabinet will have to decide whether or not to maintain its 40% ownership. How—

Hon. Bob Chiarelli: No, no. We've legislated that the province has to keep a floor—a minimum of at least 40% ownership moving forward. That's in legislation.

Mr. Peter Tabuns: So you will be compelled—no matter how many shares are issued, the province will be compelled to buy more shares? Is that correct?

Mr. Serge Imbrogno: It would be compelled to take action, but the when and how is still subject to cabinet and estimates and so on. There is an obligation to do it; it's just that it doesn't say that you have to do it the next day. It's just a time that the government can do that.

The Chair (Ms. Cheri DiNovo): I'm afraid we're going to have to stop there. I understand there's agreement among all parties that we're going to take a five-minute recess; is that correct?

Mr. Peter Tabuns: Sure.

The Chair (Ms. Cheri DiNovo): So we'll be back here at 5:03.

The committee recessed from 1658 to 1703.

The Chair (Ms. Cheri DiNovo): Time to come to order, friends, brothers and sisters. Thank you.

We are now going to go to the government side. They have 20 minutes.

Ms. Sophie Kiwala: It's very nice to be here again and learn more about energy and listen to the discussion today, so I'd like to thank the minister's staff as well for providing your expertise and knowledge.

Specifically, today I'd like to talk about Bill 112, the Strengthening Consumer Protection and Electricity System Oversight Act, 2015. Minister, I know that Ontario is focused on ensuring that electricity ratepayers are thoroughly protected by the Ontario Energy Board. I am aware that you and your ministry currently have a bill before the Legislature. We've spent a fair bit of time discussing it in the chamber: Bill 112, the Strengthening Consumer Protection and Electricity System Oversight Act. This is one of the bills that we have been discussing that is certainly something that I think appeals to many MPPs because it is protecting our consumers and our constituencies. We've all heard stories about vulnerable constituents, sometimes seniors, who are laid victim to high-pressure sales tactics at the door, which is a problem because it affects their bottom line. Sometimes that line is something that needs to be protected as well.

You've done several things as well within Bill 112 to improve those protections for consumers, such as increasing the cooling-off period from 10 to 20 days, which is excellent, but, Minister, I'm wondering if you could inform us about this proposed legislation and what it would do to strengthen consumer protections. What other things are there within that bill that will protect consumers?

Hon. Bob Chiarelli: Thank you for the question. Of course, we had some second reading debate on that particular issue. I appreciated the level of support from my energy critic, the member from Renfrew-Nipissing-Pembroke. I understand that he's even supportive of the legislation and he's considering doing some amendments to it. That's good news to see that we have that type of collaboration on a very important bill.

The bill deals with a number of different issues, including strengthening consumer protection and the electricity system. It also confirms and/or enhances the ability of the province to ensure that, in spite of the Hydro One initiative, we would have the power in cabinet to initiate, of our own volition, the necessary transmission infrastructure that might be required in the future. It also deals with confirming what the Supreme Court of Canada confirmed a couple of weeks ago: the real, substantive power that the Ontario Energy Board does have to regulate the rates in Ontario.

We're enhancing the capabilities of the Ontario Energy Board to ensure that it continues to have a robust set of tools to regulate the energy industry and protect consumers. Some of the main legislative amendments being proposed include measures to enhance consumer protection, provide further opportunities for consumer advocacy, clarify the activities that could be undertaken by LDC affiliates, extend OEB's emergency powers to transmission, enhance the oversight of utility transactions, and provide the government with the ability to prioritize critical transmission infrastructure.

If passed, this legislation would enhance consumer protection. The proposed Strengthening Consumer Protection and Electricity System Oversight Act, 2015, includes changes to the Energy Consumer Protection Act,

2010, that would provide enhanced protection to Ontario energy consumers in their dealings with electricity retailers and gas marketers. The proposed changes would provide consumers with the ability to make informed choices about energy purchases and would prohibit electricity retailers and gas marketers from selling energy contracts at the consumer's home but still allow the retailers and marketers to engage in advertising activities at the door. They just can't sign a contract there.

It will allow the government to make rules governing aspects of the door-to-door advertising activities in regulation. It ensures that all contracts, including those entered into over the Internet, are subject to a verification process. It would extend the cooling-off period during which consumers can cancel an energy contract without penalty from 10 to 20 days.

It's very important—and I think everyone in the room, particularly the MPPs, are aware of the fact—that there are people who answer doors who are not familiar 100% with technical language or the English language. A lot of them are seniors who might be vulnerable when it comes to contracting. That's kind of what's underlying that part on the initiative.

The legislation also includes proposed changes to the Ontario Energy Board Act, 1998, that would provide the OEB with the ability to levy higher and more flexible penalties for contraventions of its rules and legislation.

The proposed legislation would, if passed, help advocates for consumers. Ontario is proposing legislative enhancements that would require the OEB to establish processes to enhance the representation of consumer interests at OEB proceedings. This would provide additional opportunities for consumer representation.

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If passed, the legislation would clarify the role of LDCs and their affiliates. Currently, legislation restricts the business activity of affiliates of municipally owned LDCs, but does not include any such restrictions on the business activities of non-municipally owned LDCs. Proposed enhancements would remove the restrictions on the business activities for affiliates of any municipally owned LDCs, putting them on the same footing as privately or provincially owned LDCs. Basically, the holding companies—of which all LDCs have one—would have a lot more leeway to engage in energy business activities, which could include going into renewables, and could include going into energy product lines that would help the bottom line for municipal LDCs.

The proposed legislation would also extend the OEB's emergency powers to transmission. Currently, legislation provides the OEB with emergency powers to ensure that continuity of service for distribution company customers would continue in the unlikely event that an LDC could no longer carry out its responsibilities. Under the proposed legislative enhancements, these powers would be extended to transmission companies. In addition, some enhanced powers to head off a potential failure of an electricity utility to carry out its responsibilities have also been introduced.

If passed, this legislation would enhance oversight of utility transactions. The current legislation requires the OEB to examine a transaction that allows someone to gain more than 20% control of voting securities of a transmitter or distributor. The proposed legislative amendments reduce this to 10% to account for more widely held ownership anticipated in the future.

In addition, the proposed legislative amendments would require that distributors maintain their head offices and records in Ontario.

The proposed legislation would also assist in the timely creation of transmission infrastructure. Currently, if a transmission project is identified as a priority project—in, for example, the long-term energy plan, as approved by cabinet—the OEB must re-evaluate the need for these projects when they apply for approval from the board, essentially duplicating work that has already been done. These proposed enhancements would provide cabinet with the clear authority to identify priority transmission projects and eliminate the requirement for the OEB to spend further time on the basic principle of need.

All other elements of the OEB's existing approval processes, including reviewing costs for prudence and allocation, would remain in place. This measure would help to reduce duplication of work between the Ministry of Energy and the OEB in moving forward in building key transmission infrastructure in Ontario.

If passed, Bill 112 would enhance the OEB's powers to ensure it continues to have a robust set of tools to regulate the sector and protect consumers. I hope the members of the third party will join the official opposition in supporting Bill 112 to help further protect ratepayers.

I indicated earlier that the OEB has been given very significant additional powers to impose penalties if any distributor or transmitter is in contravention of any of the rules. We've actually adopted the level of penalty that's in the Ontario Securities Commission. If a regulated public company contravenes the rules—and this would also apply to the new Hydro One, as a regulated company—the penalty would be \$1 million per day. So that's very, very significant protection for the consumer and the ratepayer.

I would now like to ask Deputy Minister Imbrogno and ADM Michael Reid from the strategic, network and agency policy division to expand further on the issues regarding this legislation.

Mr. Serge Imbrogno: Thank you, Minister. I'll ask Michael Reid, ADM of the division, to come up. I think we'll do a bit of a deeper dive on some of the changes that are being proposed.

Hon. Bob Chiarelli: Can we have a time indication?

The Chair (Ms. Cheri DiNovo): You've got about nine minutes left.

Hon. Bob Chiarelli: Nine minutes? Thank you.

Mr. John Yakabuski: I'm sure you'll use it.

Hon. Bob Chiarelli: Sorry?

Mr. John Yakabuski: I'm sure you'll use them all.

Hon. Bob Chiarelli: Oh, you're not asleep yet?

Mr. Michael Reid: I'm Michael Reid at the strategic, network and agency policy division at the Ministry of Energy. I guess what I propose to do is to provide a little bit more detail on some of the key elements of Bill 112 that have been outlined by the minister, maybe starting with the consumer protection dimension.

The parts of Bill 112 that deal with consumer protection amend the Energy Consumer Protection Act. This act has been in place for a number of years and was put in place originally to govern a lot of aspects of retailing, but most particularly electricity retailers and some of the door-to-door behaviour.

Following a report by the Ontario Energy Board on electricity retailers that they did at the request of the minister, Bill 112 proposes a number of things. As the minister has mentioned, it would actually ban the selling of contracts on the doorstep. It would allow marketing activities, but people cannot actually sign contracts on the doorstep.

The bill would also, if passed, allow the government to put in place regulations that would govern additional activities at the doorstep; for example, the time of day that a retailer could go to the doorstep. The ministry is, at this point, as well, consulting on what those regulatory changes could look like.

As the minister mentioned, it also has verification procedures. Currently, all contracts that are signed at the doorstep require third-party verification. Bill 112 proposes to extend that to all retail contracts, whether that's over the phone, Internet and so on.

Lastly, another key feature: Currently, the Energy Consumer Protection Act has a 10-day cooling off period, so a customer can sign a contract and then has 10 days to reconsider and get out of that contract without penalty. The proposed bill would extend that to 20 days. That mirrors some other provincial legislation, as well, with respect to things like hot-water heaters, for example.

I think it's a pretty strong regime to help consumers with some of the aggressive practices and, as I've already mentioned, they're also very informed by about a year's worth of thought that the Ontario Energy Board did on the consumer protection regime and some of the enhancements that could be made to that regime.

In terms of the second component on consumer advocacy: Bill 112 proposes to give cabinet the ability to actually prescribe what consumer advocacy practices could look like or should look like at the Ontario Energy Board. The Ontario Energy Board is out thinking of new ways to integrate consumers into its existing processes. It has a number of initiatives under way to do this, so I think the expectation is that the Ontario Energy Board is in the process of enhancing consumers' voices directly in its procedures. These powers, although on the books, will likely not have to be used. This mirrors legislation in a number of other provinces as well, where the government does have regulation-making power to outline what consumer advocacy could look like.

The Chair (Ms. Cheri DiNovo): You have about five minutes left, Mr. Reid.

Mr. Michael Reid: As the minister has mentioned, there were a number of measures on continuity of service. One of the other components of Bill 112 that I would flag is that it proposes to give the Ontario Energy Board the ability to appoint a supervisor if a utility is seen to be struggling. Right now, the board has the ability to basically step into the shoes of a distributor. This would be a new tool that, if there's a bit of a distant early warning that things aren't going well, would give the board a little bit more of a flexible tool to have a supervisor come in and help right things. Again, the expectation is that these tools would never have to be used or hopefully would never have to be used, but I think that flexibility is important.

Currently the Ontario Energy Board and agencies like the Electrical Safety Authority do share information when it comes to safety-related issues. It's just clarifying in the bill that, when it comes to safety-related information, that sort of sharing of information can and should take place.

The minister has already mentioned the penalties. Maybe the only other thing that I would add is that the existing regime does cap the amount of penalties which Bill 112 would raise quite significantly.

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The other proposal in Bill 112 as well is that currently the board, in applying its penalties, has to use what's called a matrix, which is basically a grid that the board has to plot out any given infraction on. It seemed to be quite cumbersome and doesn't always allow the board to actually tailor a penalty to fit the specific infraction. Bill 112 would also do away with this grid. So it would both increase the penalties and then give the board discretion to make sure that the penalties that it levies in a certain case are consistent with the facts of the case.

The minister mentioned some of the oversight components of Bill 112 as well which I think are quite important. That includes making sure that all local distributors do have to maintain a head office, records and key personnel in Ontario as well as reducing some of the thresholds for the board looking at utility transactions. I spoke a little bit about that in talking about consolidation: that the board does do "no harm" tests. Bill 112 would propose to also allow the board to do that in a case where anyone is acquiring up to 10% of the shares of a utility.

The minister also talked about the provisions with respect to clarifying the roles and distinctions, I guess, between the sorts of activities that can be undertaken either directly in a utility or need to be undertaken through an affiliate. The current regime is fairly complicated. I think we heard from utilities that it can be fairly difficult to disentangle as well. We've heard that from the Ontario Energy Board.

What's proposed in Bill 112 would basically clarify that regime and give the Ontario Energy Board much more discretion in terms of allowing utilities to come forward to the Ontario Energy Board with proposals of

new business activities that they would like to undertake directly within the regulated business. The board would conduct some sort of hearing and then ultimately make a decision about whether or not a utility can move forward with that or not.

Again, we think the proposals in Bill 112 take what's a relatively complicated and constraining framework and provide the board with a lot more discretion to allow utilities to put forward business cases for things that they would like to do.

Lastly, the minister also mentioned the proposals in Bill 112 with respect to critical transmission infrastructure. What the bill proposes is to provide cabinet the ability to designate a transmission project as a priority project. If you look at the long-term energy plan, for example, there were four priority projects outlined in that plan: the east-west tie, the northwest bulk transmission line, a new line to Pickle Lake, as well as the connection of remote communities.

What these enhancements would do is, as the minister noted, if cabinet does designate a project as a priority through this tool, the Ontario Energy Board would not need to undertake a needs assessment of the line. It does eliminate a lot of overlap and duplication that exists. But, as the minister also mentioned, the remaining board procedure would remain in place as is.

The board, when they consider transmission applications, does a number of different things, including assessing the prudence of any costs incurred by a transmitter in the development of a line. The board also looks at how costs should be allocated across the system depending on the nature of the line and the nature of the connection. The board also does get into routing and some of those other things through section 92, and a number of other transmission approvals processes—

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Reid. I'm afraid your time is up.

We are going to move to the official opposition for 20 minutes: Mr. Yakabuski.

Mr. John Yakabuski: Yes. Thank you very much, Chair.

Boy, that was obviously a complicated question. It took 30 seconds for the question and 19 minutes and 30 seconds for the answer.

I want to compliment the minister because this is now the third time that I have heard his speech on Bill 112: twice here at the committee and once in the Legislature. I must say, your delivery is getting better all the time. You're working on it. If we hear that speech on Bill 112 one more time here at estimates—

Hon. Bob Chiarelli: If you want to move unanimously to eliminate estimates, I'm happy.

Mr. John Yakabuski: I know that you're going to have it down completely, just right to a T.

Anyway, that's all I wanted to comment: that it was just a wonderful job of delivering that speech again. I'm going to pass it to my colleague, Mr. Smith.

Mr. Todd Smith: Thank you for getting that on the record, Mr. Yakabuski—an excellent job penalty-killing again by the minister, for sure.

Mr. John Yakabuski: Oh, he is a penalty-killer; there's no question about it. He was killing me.

Mr. Todd Smith: When we were last chatting, we were cut off because we ran out of time. We were talking about the most reliable sources of electricity in the province, and I believe, and I don't want to put words in your mouth, but you said that nuclear was probably the most reliable, right? It provides our baseload power in the province, and I believe you're a big fan of nuclear power and it's been very reliable.

Hon. Bob Chiarelli: A priority for our government, yes.

Mr. Todd Smith: Yes, it's been a good source of baseload power for the province, and reliable and safe, and it's probably the direction that we should be going in.

Then we started talking about unreliable: What is the most unreliable power source that we have in the province? Wind would probably fit the bill for being the most unreliable power source that we have making up our grid?

Hon. Bob Chiarelli: Yes, the IESO recommends a supply mix that provides tools for them to help operate the system. One of the key elements is reliability. As I indicated, wind forms a very, very small percentage of our overall generation in the scheme of things, but it is clean. It is now, contrary to what your colleague from Pembroke–Nipissing–Renfrew—

Mr. Todd Smith: Renfrew–Nipissing–Pembroke.

Hon. Bob Chiarelli:—has said, it is dispatched now. It's dispatchable, and it is being dispatched. It's not paid for unless it is actually used in the system.

There are two issues that impact on renewables, and it's generally accepted across the industry; that is, number one, that the cost is more expensive, and, number two, it doesn't have the reliability because you don't know when the wind is going to blow or when the sun is going to shine.

Mr. Todd Smith: So why do we need it?

Hon. Bob Chiarelli: We need it because, number one, it has the level of reliability—it's not the most reliable. That's number one. And it's clean; that's number two. And it's now dispatchable, which is an improvement. But I will tell you that if you look across North America and Europe, you will see almost every jurisdiction installing wind power. The implication is that Ontario is being irresponsible, and the reality is that every jurisdiction in the world is engaging in wind. The reality also is that the price of wind now has come down to where it's virtually at grid parity, and we're waiting very anxiously for the prices of the current procurement, which will come out before the end of this year, which will show that it is equally affordable in the system.

Mr. Todd Smith: But it's the least reliable. I mean, if you were going to build a perfect energy system in the province of Ontario, you wouldn't have wind in the system, because it is unreliable. You don't know when the wind is going to blow, and the perfect example was this past weekend. It was very, very windy overnight Friday and into Saturday, between 1 o'clock and 5

o'clock in the morning, Saturday morning. Wind accounted—and this is from the National Post. Wind accounted for 12,481 megawatts of power early Saturday morning, of electricity. What we actually needed for total demand during that time was less than that: 11,000 megawatt hours of power. That ended up costing provincial ratepayers, did it not, to pay for that power? How much would that have cost?

Hon. Bob Chiarelli: I can't give you the price of that, but what I can tell you is that was a very exceptional circumstance and you will not be able to find one other time when that occurred. That was an aberration, and, as well, one of the nuclear units went down. Another one was down for some repairs. So it was an exceptional circumstance that caused that to happen.

Mr. Todd Smith: But we're paying other jurisdictions all the time to take our power, our excess power. All the time we're paying, because we don't have control, especially when wind is blowing. We have no control over that.

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As far as your comment on other jurisdictions, we've seen all kinds of other jurisdictions back away from wind power because it's not reliable and it's not affordable for the ratepayers in their jurisdiction. Britain is the perfect example of where that has occurred, and it has happened very recently in Nova Scotia, where governments have backed away because, in the words of Amber Rudd, who's the UK energy secretary, "We have a long-term plan to keep the lights on and our homes warm, power the economy with cleaner energy, and keep bills as low as possible for hard-working families." She said this as they're backing away from onshore wind subsidies.

Hon. Bob Chiarelli: There's a transformation that's happening with respect to wind. Part of it has to do with the cost coming down to where it's very normal, dispatchable, which is very normal. The other thing that's very transformational is the level of support that is starting to grow in rural Ontario for wind.

Mr. Todd Smith: Where?

Hon. Bob Chiarelli: For example, in Carleton–Mississippi Mills, one of the most rural ridings—and the member there is obviously on the party line and very, very opposed to renewable energy, but there was a municipality there that passed a unanimous resolution to support a wind project.

Mr. Todd Smith: Yes, but you know what's happening there, Minister—

Hon. Bob Chiarelli: If you look at Oxford county, Oxford county passed a unanimous resolution saying that they want to go 100% renewable.

Mr. Todd Smith: Minister, you know what's happening there, though. The companies are paying the municipal councils money. They're bribing municipal councils to take these projects. That's what's happening.

Hon. Bob Chiarelli: In Chatham-Kent, the council supported a wind project. I might add as well that at the AMO conference, the Association of Municipalities of Ontario, where in past years I would get six or seven

questions with respect to renewable energy, this year there was not one question on the accountability session that came from rural communities or anywhere else on energy, renewable or otherwise. So there's a transformation going on—

Mr. Todd Smith: No, there's no transformation, Minister—

Hon. Bob Chiarelli: There's a tremendous transformation going on.

Mr. Todd Smith: The municipalities are being bought off by the big companies. Not only are you an excellent penalty-killer; apparently you're a pretty good stick-handler as well. Your rural municipalities are being paid off. You know that that's what's happening.

I have a municipality in my riding that is receiving \$100,000 a year for 20 years from a wind power company to put solar on prime agricultural land. The people in the municipality are fed up. The same thing is happening in Addington Highlands, where a wind installation is being proposed there. That municipality has been bought off by the company. The people in the community are fed up. They're livid. They don't want this in their community.

You know very well what's happening in Prince Edward county, the municipality that I represent, which happens to be one of the top tourism draws in the province. They're an unwilling host, and they have two projects that are being forced on them. The government continues to force these projects on unwilling host communities.

Those who work in the energy sector—and I know you talk to them, Minister—say that solar and wind are creating more problems for the grid than helping the grid. So why are you continuing to force these projects in unwilling host communities?

Hon. Bob Chiarelli: I have a couple of comments about your preamble and the premise of your question about communities. I would certainly like for you to give me the names of the municipal councils who have been bribed. I would like to send them a letter and ask them if they believe they were bribed. I wonder how many of these respected municipal councils in your riding have been “bribed.”

The other issue is in terms of community benefits that are provided. For nine years I was the chair of the regional government in Ottawa-Carleton and mayor of the city of Ottawa. If you go to the cities of Toronto, Ottawa or Hamilton and there's a proposed high-rise building in the community, they negotiate community benefits in order to get council approval moving forward. What you're describing with respect to wind is no different than the type of community benefit that a Minto construction or a major construction company would negotiate as part of the planning process.

Mr. Todd Smith: Minister, you've removed the planning process as a result of the Green Energy Act. They have no say in whether these are going in their community or not. All they can do is give the points—

Mr. Grant Crack: Wrong.

Mr. Todd Smith: It's not wrong.

Let's move on to another subject because I don't think we're going to get anywhere with this. Every organization in Prince Edward county, including the municipal council, has said they're an unwilling host community, yet you're continuing to force these projects on them. But let's move on.

You were talking earlier about the consolidation that took place with Brampton Hydro, and Mr. Reid and Mr. Imbrogno were speaking of that deal. The Brampton Hydro consolidation was done behind closed doors; there was no open and transparent process around the sell-off of Brampton Hydro. One place where Ed Clark and his report didn't waver was its commitment to sell Hydro One Brampton. However, the utility was sold with little or no input from anyone, so how can you guarantee that you've received the best possible price when you didn't open it up to the market? This was done behind a big black curtain.

Hon. Bob Chiarelli: First of all, you talk about “done in private.” Number one, the five or six municipalities involved, which include St Catharines, Hamilton, Markham etc.—they are having public meetings. They're got committee meetings of council, and council will have the absolute opportunity to accept or reject. So in terms of public engagement, the ultimate decision is absolutely left in the hands of the municipalities and the LDCs that are involved in the process.

The other issue that you talk about: Number one, the consolidation that came together was extremely unique in the sense of a consolidation. It couldn't have been replicated, and that's why it went forward. It went forward with a lot of public consensus that this was the right way to go as well.

Mr. Todd Smith: If you go public, which you have now—the IPO is out for Hydro One; the first 15% is out—the goal is to get as much money for the province as you possibly can, in this initial public offering, to start to pay for infrastructure projects. That is the goal, right? So how can you sit here today and tell me that you believe that you got the best bang for the buck in Brampton?

Hon. Bob Chiarelli: I'll turn it over to the deputy.

Mr. Serge Imbrogno: I'd say on Brampton that there are a number of objectives that the government is trying to reach. We've talked a lot about the LDC consolidation, where we think there are a lot of efficiencies that we could achieve in the system. I think this is an opportunity where we can maximize our proceeds and, at the same time, we can get some important consolidation going on in this sector. We think that once that happens, it will lead to more consolidations across the province. So we see this as achieving our fiscal objective of getting maximum proceeds, but also achieving energy policy objectives to get more consolidation. We think it balances both.

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have about five minutes left.

Mr. Todd Smith: Thank you, Chair.

This was Ed Clark's project. He announced this, and he didn't bring it to the open market. Were you in favour of him going in this direction?

Hon. Bob Chiarelli: First of all, it's not Ed Clark; it's the whole asset council, which was a group of very well-informed individuals who were very interested in maximizing asset value, because that's why the whole process is going forward. Whether it's with respect to the Beer Store or the IPO or the sale of Brampton, it's to maximize the value of the assets. They did very extensive evaluations internally in terms of coming up with the appropriate price, if I can put it that way—

Mr. Todd Smith: And who determined that?

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Hon. Bob Chiarelli: The legwork was done by the asset council and it was presented to the government. The decisions to do what we're doing were made by Treasury Board and cabinet on the advice—

Mr. Todd Smith: So you approved of going this route?

Hon. Bob Chiarelli: I was proud to approve them. They were very good for the province, very good for consolidation and very good for the ratepayer because, as we indicated, consolidations will end up benefiting the ratepayer in terms of better service and in terms of a better return to their municipal shareholder. So it's a win-win-win in many cases.

The other issue is this: It has not been finalized yet. It has to go to councils; councils are debating it. You know very well that there are some councillors in some municipalities who are opposed and they're organizing meetings, etc. It's very public. It's very democratic and that's the way it should be.

Mr. Todd Smith: But you're not respecting the decision of councils in other areas. It's funny how you can respect the decision of councils in some aspects of the Hydro sell-off, but in other areas you're not respecting the wishes of municipal councillors who are closest to the ground and know what their communities want.

Hon. Bob Chiarelli: If you want to do an analogy again, if you want to look at urban development, councils don't control what happens. People can appeal to the Ontario Municipal Board and it's dealt with in that particular process. Can you say that a municipal council has control over every development in a particular municipality? The answer no.

Mr. Todd Smith: No, they have no control over green energy projects. We know that.

Hon. Bob Chiarelli: There's a process and it goes to appeal. In the energy sector there's a process and it goes to appeal. They have an appeal process. It's no different than a development in an urban area going to the Ontario Municipal Board for an appeal.

Mr. Todd Smith: It is different.

Industry stakeholders, I understand, had an interest in the Hydro One Brampton sale. Were other industry stakeholders involved in this or just a small group?

Hon. Bob Chiarelli: No, there was a very thorough evaluation done by the asset council, by more than one evaluator, and they also looked at—there's been some consolidation that's already gone on by Hydro One. One of them just closed the other day. Which one was it?

Mr. Serge Imbrogno: Woodstock.

Hon. Bob Chiarelli: Yes, Woodstock. It just closed. There are measures of value per customer and there is a very, very small number of indications of value for LDCs, and it's not hard to find them and nail that down. That's the evaluation process.

Mr. Todd Smith: Industry stakeholders: If you had opened up Brampton to Hydro One, you don't believe you would have received more for the asset?

Hon. Bob Chiarelli: As the deputy said, there were other objectives. We would not have had consolidation, and consolidation is very, very important for ratepayers across the province.

Mr. Todd Smith: Were industry stakeholders not told that they were going to have an opportunity to bid on Brampton? Did you not tell them that they were going to have an opportunity to bid on the sale of Hydro One Brampton?

Hon. Bob Chiarelli: There was no process that was laid out in any official, technical way or otherwise.

The Chair (Ms. Cheri DiNovo): I'm afraid we're going to have to leave it at that. Thank you very much.

Moving on now to the third party. Mr. Tabuns, 20 minutes—actually, 15.

Mr. Peter Tabuns: Just to return to this whole matter of the province's maintenance of 40% ownership of Hydro One: The first question that occurs to me is, why was there a provision in the budget bill that said that when the province's ownership drops below 10%, it's not able to then buy back and go up to 20%, 30% or 40%? It becomes like any other shareholder. If it's impossible to drop below 40%, why that provision?

Hon. Bob Chiarelli: I think that provision has been changed in the governance agreement. Basically, it mandates the province to maintain the 40%, so that option that you're talking about will not evolve. I'm going to ask counsel to talk to that.

Ms. Sharon Geraghty: That provision you mentioned is not in the legislation anymore.

Mr. Peter Tabuns: It's not in the legislation anymore?

Ms. Sharon Geraghty: No. The legislation requires, as the minister said, that the province cannot take any step to take its position down below 40%.

Mr. Peter Tabuns: And so if the majority of members of the board decide to issue more shares, does the province get to dictate the maximum price for those shares?

Ms. Sharon Geraghty: Let me take your question in parts.

If the company decides to issue additional shares for cash other than employee compensation or some small items, then the province would have what we call a pre-emptive right to acquire up to 45% of that issuance, and the province, if it was being done by way of a placement or a public offering, would have an opportunity to participate. It doesn't have to, but it has the right to do so.

Mr. Peter Tabuns: Well, just a second. If you're saying that in law they're required to maintain 40% ownership and they have the right to not take part in this

placement, the potential is there for issuance of a large number of shares and dilution of the province's ownership.

Ms. Sharon Geraghty: First of all, let's start from the fact that after the initial tranche, the government would be at 85%. So one example might be that if there was an issuance of shares at that point, the province would not necessarily be anywhere near going below 40% as a result of that issuance. And then the other aspect of it, which the deputy mentioned, is that there's a further provision that if there is a share issuance that takes the province down below 40%—not through its own action, which it's not allowed to do, but because of an issuance by the company—then the province has to take steps to go back above 40% on the basis that the deputy described.

Mr. Peter Tabuns: And please restate those circumstances under which the province would have to take action.

Mr. Serge Imbrogno: It's in legislation that we have to; it's just that the province has time to do that. It just recognizes having to go to the Legislature, having to get approvals. So we're not forced to do it the day after. There's a reasonable period of time where the province can take action.

Hon. Bob Chiarelli: It's mandatory that we have to keep it at 40%.

Mr. Peter Tabuns: And so if the province is in a very difficult financial position and shares are issued, it will be compelled by legislation to buy 40% of those shares no matter what they cost, no matter the impact on provincial finances. Is that correct?

Mr. Serge Imbrogno: Well, I think that would be part of what the government of the day would have to take into account in determining when it would be best to purchase the shares to get it back up to the 40% requirement.

Mr. Peter Tabuns: Wait a minute here. So let's say in 2016 we're at 40%. The new company decides to issue a very large volume of shares. How many years does the province have to act on preserving its 40% ownership? Are we talking two years, 10 years?

Mr. Serge Imbrogno: I don't think the legislation is specific on a time frame.

Hon. Bob Chiarelli: No.

Mr. Peter Tabuns: So it could be over decades before the province came back up. Correct?

Ms. Sharon Geraghty: The legislation permits the government to decide when and how to go back up, but it does require it to go back up. There is a positive requirement that can't be ignored, and so at the extreme end you do have to still eventually have a plan to go back up to 40%. There is no stipulation of time as to when that has to happen.

Mr. Peter Tabuns: I haven't been around here for a long time—others have been around longer than me—but I have seen things stretch out over the years. Effectively, what you're saying to me is, there's a requirement for the

province to have a plan to go back to 40%, but there's no deadline on that, so it could stretch out over decades.

Ms. Sharon Geraghty: I don't want to speculate as to how long the government might think it's wise to take to take itself back up to 40%. Again, starting from the perspective of being at 85% after the first tranche, the government does have significant control at that stage as to what its ownership level will be, because there's also no requirement for timing when it goes down below 85%, for example.

Mr. Peter Tabuns: Yes. No, I understand that, but what you've said to me is, there is this very, very large truck-drive-throughable loophole that would allow the province to say, "Okay, we've dropped below 40%. There's no definite time frame within which we have to come back up to 40%." It could be a decade. We could go through several elections with parties and governments promising to come up to 40% as soon as we've got the money to do it.

Ms. Sharon Geraghty: It goes back—I believe one of the rationales which you indicated when you asked your question initially was that it's important that the government be able to time that in a way that's prudent for the province.

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Mr. Peter Tabuns: That's right. If they don't have the money they won't be able to buy the shares. If you've got 60% of the directors saying, "We're going to issue new shares," and so for, let's say, a decade the province is below 40%, let's say it's down to 30% or 25% or 20%—I assume the voting rights follow the ownership. We don't continue to have 40% voting rights when we drop below 40%, do we?

Ms. Sharon Geraghty: Actually, you do for a period of time have—there is a cap, as you know, on the ability to nominate directors, and that cap is at 40%.

Mr. Peter Tabuns: Right.

Ms. Sharon Geraghty: If the government went down below 40%, it would take two further annual meetings before it would cease to be able to nominate 40% of the directors. In fact, there's a rounding element to it, so the directors have to be between 10 and 15 directors. If you do the math, the province could go as low as 35% and still be able to nominate 40% of the board.

Mr. Peter Tabuns: Okay. But if you were in a situation where you were down to 20% ownership—with your plan in place to show that you'd come back to 40% someday—we'd be in a position where 80% control was outside of provincial hands and there would be the ability to issue even further shares, on which the province would have to figure out timing on the purchase.

What you've said, and it's interesting to me, is that the door is wide open to driving down provincial ownership way below 40% with the provincial government of the day having a loophole, saying, "We can't do it right now. We don't have the cash right now. We're going to have to wait five years, 10 years, 20 years."

Mr. Serge Imbrogno: The legislation, as it's drawn, says that the minister "shall" take action. I think it

respects the Legislature and the Lieutenant Governor in Council, so I think it's realistic that it says the minister "shall" do this, subject to receiving approvals from—

Mr. Peter Tabuns: From cabinet. And if cabinet says, "No, the prices are too high," the minister is discharged of his duty because he tried to do it.

Mr. Serge Imbrogno: If you're in the middle of a budget cycle, I think it's just being prudent in terms of where you are in a process as a government of the day. But it's drawn to say you "shall" take these actions.

Mr. Peter Tabuns: Deputy Minister, for what it's worth, if there isn't a deadline on that—you've been around for a while—things can be extended. Things can be stretched. Anyway, it's an interesting loophole. I didn't realize that existed. That's useful to know.

Another question: The only document we've seen showing why privatization is good for Ontario—why the privatization of Hydro One is good for Ontario—is Ed Clark's 42-page report. We haven't seen any other reports, analyses or documents on this. Is there a particular reason why we haven't seen detailed business cases showing why this privatization is good for Ontario?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: Well, I think that was the job of the Premier's council to do the analysis and to provide advice to the government. That advice was provided and accepted by the government.

Mr. Peter Tabuns: Well, we saw two phases of the council's advice: one where the head of the council, Mr. Clark, gave advice to the Premier that they shouldn't sell off Hydro One. In fact, the Premier twice referred to Ed Clark in a question in the Legislature, saying, "He says it's bad news. We're not going to do this. That's not part of the picture." Then, a few months later, "This is the best thing that's ever happened to Ontario. I guess we're going to have to sell it off."

We haven't seen documents tabled publicly showing an analysis as to why privatization leaves us better off financially. Is there a reason for that?

Mr. Serge Imbrogno: I just go back to how that was the work of the Premier's council. That's why it was set up, to maximize our assets, to provide advice to the government on how best to proceed. The government has accepted that advice and is moving forward.

Mr. Peter Tabuns: I'll just say, Deputy Minister, I understand the words that you've put forward. I would say that for such a momentous decision, one would expect somewhat more substantial business analysis presented to the public, given to the Auditor General for a review, provided to the Financial Accountability Officer, who, I gather, has been denied access to files. It's an extraordinary way to run a multi-billion-dollar operation. For us as legislators responsible for overseeing it, to not have the background documents showing how this actually will benefit us—I don't believe it will, but I haven't seen the case on the other side that actually goes through the numbers.

Can I ask, what are the financial implications of a privatized Hydro One for the provincial government and municipalities regarding hydro corridor lands?

The Chair (Ms. Cheri DiNovo): Just to let you know, there's about five minutes left.

Mr. Peter Tabuns: Thank you.

Has there been an analysis done of the financial impact of change of ownership on those rights of way and ownership of land?

Mr. Serge Imbrogno: The hydro corridor lands are owned by the province and managed by Infrastructure Ontario.

Mr. Peter Tabuns: No, I don't think that's entirely true. I think some of them are easements. Is that correct, Minister?

Hon. Bob Chiarelli: The easements would be owned by Infrastructure Ontario or—

Mr. Peter Tabuns: Or municipalities or—I'm sure that some of these go over First Nations territories. Are they owned by Hydro One?

Mr. Serge Imbrogno: The corridor lands themselves are owned by the province. We maintain the ownership of the lands. So in terms of the easements, those would continue with the change of ownership. The Hydro One corridor, the management of it, would continue through IO, so there would be no change going forward.

Mr. Peter Tabuns: So there are no corridor lands at all that are owned by anyone else but Hydro One? Is that what you're telling me?

Mr. Serge Imbrogno: That are owned by the province. Now, I can make sure that's correct, but—

Mr. Peter Tabuns: I would appreciate it if you would check that.

Mr. Serge Imbrogno: My understanding is that we took control of the hydro corridor lands previously, in the 2002 attempted privatization. The government of the day took the hydro corridor lands as provincial.

Mr. Peter Tabuns: I would appreciate it if you would check that, and if we could note in Hansard that there will be a report back on who exactly owns the hydro corridor lands.

On another matter, the review of the intervener framework: In April, the OEB announced phase 2 of its multi-year review of the intervener framework. A letter notes that a number of North American jurisdictions have independent consumer advocates who are part of the regulator or in separate government departments. I notice with Bill 112, I think it is, that we're dealing with right now, that there's reference to changing the intervener system. What are you contemplating at this point?

Mr. Serge Imbrogno: That would be something the OEB is looking at. I think they are looking to enhance their consumer advocacy. They haven't come out with specific proposals, but we would work with the OEB to adopt that. I think the general principle is that we want more access for all consumers to be able to provide input into the OEB. Right now we have some specialized interveners. I think the OEB wants to look at expanding that—not restricting who we have now, but expanding it to include more consumers and more consumer groups.

Hon. Bob Chiarelli: The OEB right now is in the process of consulting with a whole range of intervener public-interest stakeholders to see how the engagement

could be increased. They're looking at providing more intervener funding and resources for stakeholders. I think the direction and I think the result rests in the hands of the OEB. It's an independent agency. I think it would be well accepted by stakeholders as a significant improvement.

Mr. Peter Tabuns: Just in terms of this, does the OEB write its own rules on the interveners or is it regulated by regulations put forward by the government?

Mr. Serge Imbrogno: The OEB, within the legislative construct that we've set, would then have the authority to put forward what it believes is the best consumer advocacy function.

Mr. Peter Tabuns: Does that require your approval?

Mr. Serge Imbrogno: No. Once we've set the regulatory framework, then they would go and, within that,

they would structure what they believe is the best way to accomplish that.

Mr. Peter Tabuns: And the regulatory framework at this point contemplates having consumer advocates appear before the OEB to intervene at hearings?

Mr. Serge Imbrogno: No. I think it contemplates allowing the OEB to review and to determine how it should broaden consumer representation.

Hon. Bob Chiarelli: Right now, without any further changes, the OEB does have a process where the interveners are able to go to the hearings and publicly engage the process. It's a very significant part of the process.

The Chair (Ms. Cheri DiNovo): I'm afraid we're going to have to stop it there. We're going to adjourn until tomorrow at 3:45. Thank you all.

The committee adjourned at 1800.

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(Hansard)**

Wednesday 7 October 2015

**Journal
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(Hansard)**

Mercredi 7 octobre 2015

**Standing Committee on
Estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie



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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 7 October 2015

Mercredi 7 octobre 2015

The committee met at 1553 in committee room 1.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): Good afternoon, members. We are here to resume consideration of the estimates of the Ministry of Energy. There are a total of eight hours and 28 minutes remaining.

Before we resume consideration of the estimates of the Ministry of Energy, if there are any outstanding inquiries that the ministry or the minister has responses to, that information can be distributed by the Clerk at the beginning in order to assist the members with any further questions.

Do you have any responses to outstanding inquiries, Minister? Yes or no, Minister?

Hon. Bob Chiarelli: No.

The Chair (Ms. Cheri DiNovo): No? Okay. When the committee was adjourned yesterday, the third party had four minutes remaining in their question rotation. Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Chair. Good afternoon, everyone. The first question, Minister, relates to the question I asked the other day: the enforcement of the government's ownership of 40% of Hydro One. I was told by the deputy minister that the legislation says that the government "shall" keep ownership of 40% of the shares. What will the penalty be for the government if it doesn't keep 40% ownership?

Hon. Bob Chiarelli: First of all, the legislation has been amended to allow—to require—the government to hold a minimum of 40%. It is mandatory in terms of acting on it. That would likely occur if Hydro One on its own issued more shares. We have a pre-emptive right—a pre-emptive requirement, in fact—if we go below 40% to exercise that.

There are a number of reasons why there's no time limit. I think it's appropriate that there be no fixed time limit on it. First of all—

Mr. Peter Tabuns: Minister, I think you're straying from my question, which was—

Hon. Bob Chiarelli: I didn't get to my punch line yet.

Mr. Peter Tabuns: Well, what I had asked is, "Is there a penalty for a minister who does not maintain the 40% ownership?"

Hon. Bob Chiarelli: The penalty would have to be determined at the time, depending on who would take

action to try to enforce that, if it was not done in a reasonable period of time.

Mr. Peter Tabuns: Is there a penalty—

Hon. Bob Chiarelli: It would be the law that they're required to do it.

Mr. Peter Tabuns: And there's a penalty in the law for not meeting that requirement?

Hon. Bob Chiarelli: Well, depending on the nature of the action that might ensue from that—but I'll turn that over to Ms. Geraghty to expand on that.

Mr. Peter Tabuns: So what's the penalty?

Ms. Sharon Geraghty: Let me start again with the fact that there is a mandatory requirement that the government cannot take any action that would cause it to go below 40%—

Mr. Peter Tabuns: I know that. It can't do it—

Ms. Sharon Geraghty: The only way that it could therefore go below 40% would be if new shares were issued, and there is pre-emptive right where that's for cash. If, as a result of that, it goes below 40%, the government has an obligation to go above 40%. Like every other obligation in the statute on the government, it's mandatory. The government has got an obligation to do it, and it's no different from any other provision—

Mr. Peter Tabuns: And the penalty if it fails?

Ms. Sharon Geraghty: It's no different from any other mandatory provision in that statute. The provisions of that statute require the government to do a number of things—

Mr. Peter Tabuns: And is there a penalty?

Ms. Sharon Geraghty: Are there penalties for other things that the government does? There is no specific penalty because there is no specific deadline for it. There is no specific penalty; however, the legislation is an act of your Legislature. Like any other legislation, you have the means to call upon your government to comply.

Mr. Peter Tabuns: I'll just point out to you that when we found that Liberal staff were deleting their records in contravention of legislation, no charges were laid against anyone and no one was penalized, even though people sat in a chair comparable to where you're sitting and said, under oath, that they destroyed all their records.

Ms. Sharon Geraghty: If you're asking me to speculate that the government is going to deliberately breach the legislation, I'm not speculating that they would do that.

Mr. Peter Tabuns: I'm asking if there is a penalty, and apparently there isn't, just as there was no penalty for destruction of government records.

Ms. Sharon Geraghty: It's a mandatory provision.

The Chair (Ms. Cheri DiNovo): I think we're going to have to leave it there, Mr. Tabuns.

We're going to move to the government side now. Mr. Ballard.

Mr. Chris Ballard: Thank you for your answers, Minister. This has been a fascinating committee, and it's one that has given a relative newcomer to the House some really good background on a variety of different ministries. I appreciate the time and thought that you and your staff put into responses.

I have a question that focuses on regional electricity planning. It's of interest to me. Ontario is such a geographically diverse province. I don't have to tell you that; you've criss-crossed it dozens of times. We certainly know that a one-size-fits-all approach to planning, whether it be land use planning or municipal planning or electricity planning, is a sure-fire way to upset residents and businesses and not get the job done right. Often, my constituents ask me about how the government can be sure that it's implementing the right project in the right location.

Just to go back to that right-size-fits-all: Coming from a small community to the north of Toronto, being a town councillor there for many years, it was often frustrating to try to understand decisions that either the provincial or federal government was making that may have had impact on our municipal government, without them seeming to really have any understanding of what the special aspects were for our community and, indeed, small communities across Ontario.

It does me make chuckle when I'm painted as being someone from Toronto, when in fact I'm someone coming from a small community of about 800 people and represent a somewhat larger community. Certainly, that concept of one-size-fits-all is not one that I see in play these days, so we'll touch on that in a bit.

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I wanted to, just to demonstrate the one-size-fits-all, go back just a minute to the concept of good electricity planning. I know that in our community, for many years we had a good, solid electrical distribution company known as Aurora Hydro. The founding fathers—and it was primarily fathers in those days—built that company and it grew. It was a municipal asset. But over time, what happened to it is that it just didn't have the capital to meet the growth of our community.

I can recall that when I first moved to Aurora, which is right next door to where I grew up, I think there were something like 12,500 people; it's at 56,000 people and growing today. So, somewhere around the 40,000 mark, Aurora Hydro realized that it just didn't have the capacity, it didn't have the capital, to meet the requirements. I recall when we bought our first house in Aurora that there were monthly blackouts; there were ongoing brownouts. I lost track of the number of times that I had to reset all the digital clocks in my house. The microwave—I think we just let it blink "0000" all the time, we were so sick and tired of fixing it.

To the detriment, though, of our economy, some of our major industries were threatening to leave because they needed good, clean electrical power and they weren't getting it through Aurora Hydro. So we merged. We sold to PowerStream, and PowerStream invested tens of millions of dollars to bring the Aurora system up to speed, invested in a new distribution line into our community, and I can tell you now that blackouts are few and far between. It may be that a tree fell on the line somewhere, or it's a windstorm. It's not because of lack of capacity. The benefits to having PowerStream run the system now have been quite spectacular.

Those companies, Mr. Minister, that would talk to me about having to move—not because they wanted to; it wasn't about taxes; it wasn't about pricing; it was about reliability and quality of electrical supply—they're quite happy, now, to stay in Aurora and continue to build their customer base. But it got us thinking, in those days, about that whole concept about regional electrical planning, because we realized that Aurora obviously can't do it on its own. It can't create any electricity. It was just a distribution arm. It really drove home for us how we were so joined at the hip with the municipalities around us that we needed to think more than about just ourselves and more on a bigger picture.

So getting to my question, Mr. Minister, what I want to know is: What can you tell us about what the government is doing to support regional electricity planning in Ontario?

Hon. Bob Chiarelli: Thank you very much, MPP Ballard, for your question and for the premise of the question.

There's been a significant improvement and enhancement in the planning part of the electricity system, which, for a lot of people, is not on the radar screen; it's not a sexy issue in the energy theme, but is absolutely essential in terms of creating a reliable system. The planning is, basically, the foundation of having a reliable system.

You referred to the consolidation that took place in your community. Our policy of encouraging consolidation and, in fact, trying to make consolidation happen without forcing it is part of planning a better system, and part of our policy.

To answer your question more specifically, the IESO did very extensive consultation on a direction from the ministry and myself to consult in terms of the importance of regional planning—how to engage communities and stakeholders about it—and I think it took about nine or 10 months of very, very extensive consultation, including travelling across the province to consult with the stakeholders etc. Changes were introduced by the Ontario Energy Board as a result of that in 2013, and they were also very significantly involved the consultations to enhance the planning process by ensuring that transmitters, distributors and the IESO worked closely to identify solutions for regional electricity needs and by encouraging greater municipal involvement and public participation.

In the fall of 2013, the Premier accepted all 18 recommendations to improve regional planning. The IESO,

along with the transmitters and distributors, are working closely to identify solutions now for regional electricity needs. Planning is already under way in 14 of the 21 electricity regions designated in Ontario. Planning in the remaining seven regions will begin over the next few years. So that's been accomplished in the space of about two years so far.

Seven integrated regional resource plans, or IRRPs, as they're called, were released in April 2015, for a total of eight plans released to date. These plans provide near-term recommendations that consider conservation first and focus on transmission options to meet electricity needs. Needs in these planning areas will be reviewed within five years or sooner, if needed.

Our government also relies on the Municipal Energy Plans, or MEPs, a program which is designated to help Ontario municipalities understand their energy use through a community energy planning process. An MEP is a comprehensive long-term plan to improve energy efficiency, reduce energy consumption and greenhouse gas emissions, foster green energy solutions and support economic development, including reliability to that particular region.

Through the MEP program, municipalities can receive 50% of eligible project costs, up to a maximum of \$90,000, to complete a community energy plan. Municipalities that already have plans can receive 50% of eligible project costs, up to a maximum of \$25,000, to fund enhancements, updates or augmentations to existing plans.

The ministry is currently accepting applications, and has been for a while, from all municipalities on an ongoing basis. Twelve municipalities have received or been approved for funding, including Chatham-Kent, Kingston, Markham, Newmarket, Temiskaming Shores, Vaughan, Wawa, Woodstock, Sault Ste. Marie, the region of Waterloo, Windsor and Caledon. The ministry is currently reviewing an application from the municipality of Middlesex Centre, and I understand that just a couple of weeks ago the city of Ottawa received funding from an application.

The MEP program complements the regional electricity planning process by focusing on unique community needs and goals. The program supports municipalities to develop plans that focus on finding opportunities for greater energy efficiency and new clean energy projects.

We also have the Aboriginal Community Energy Plan Program, which is designed to help First Nation and Métis communities across the province understand their energy use through a community energy planning process. A community energy plan is a comprehensive long-term plan to improve energy efficiency, reduce electricity consumption and assess opportunities for clean energy solutions. Through the ACEP program, aboriginal communities can receive up to \$90,000, or \$95,000 for more remote communities, to complete a community energy plan. For communities that already have a community energy plan, up to \$25,000 is available to update their plan.

The Independent Electricity System Operator, the IESO, is currently accepting applications on an ongoing basis. To date, 44 communities have received ACEP funding, with additional funding recipients to be announced soon. Our government will continue to honour our commitment to giving communities and municipalities a stronger voice when it comes to the development of any energy infrastructure.

Now I would like to ask Deputy Minister Imbrogno and ADM Kaili Sermat-Harding from the strategic, network and agency policy division to expand further on this point.

Mr. Serge Imbrogno: Before Kaili starts, I would say, as we looked at doing planning, initially it was the bulk system—major transmission, big generators. I think the system has evolved now where we're focusing more on regions and making sure that we integrate IESO planning, OEB planning, with what municipalities are doing. I think that's one of the things we learned when we did our consultation.

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When you are looking at regional planning, you could have a transmission, generation, conservation solution, with all the partners working together. In order for all of the partners to work together, we need to provide funding to municipalities to engage in a program to look at energy planning as part of their land use planning as well. We also need to work with First Nations and Métis communities to engage them as well. We try to fund both through a number of programs. I think Kaili can step through some of the more detailed—a bit of a deeper dive into those programs.

Ms. Kaili Sermat-Harding: Thank you very much, Minister, and thank you, Deputy. Good afternoon. My name is Kaili Sermat-Harding. I am assistant deputy minister of the Ministry of Energy's conservation and renewable energy division.

Thank you very much for the opportunity to outline the purpose and some of the key benefits of energy planning at the community or municipal level, and also to describe in a little more detail the ministry's efforts to encourage and support municipalities that are interested in undertaking planning at the municipal level.

As part of the government's commitment to put conservation first, the ministry is undertaking a number of initiatives to support local energy efficiency, energy conservation and the green energy objectives of the long-term energy plan. This includes supporting voluntary local community energy planning and engaging municipalities through the Municipal Energy Plan Program.

Launched in 2013, the program provides guidance to local governments on decision-making and planning for future developments by helping them understand their energy use through a community energy planning process. The program was developed by the Ministry through discussions with organizations like the Association of Municipalities of Ontario as well as relevant sister or partner ministries. Through outreach efforts with municipalities, ministry staff are actively engaged in on-

going promotion of the program and regular contact with municipalities that are interested in pursuing the development of these plans through either one-on-one outreach or through activities such as workshops, conferences and other opportunities.

Community-level energy plans are a way to document priorities for how energy should be generated, delivered and used in a municipality now and in the future. A plan is a comprehensive long-term plan intended to improve energy efficiency, reduce energy consumption and greenhouse gas emissions, foster green energy solutions and support economic development—

The Chair (Ms. Cheri DiNovo): I would just remind the government side that you have about five minutes left.

Ms. Kaili Sermat-Harding: A plan can help a community by increasing resiliency in changing times, as municipalities are facing the challenges of things like aging infrastructure and the impacts of climate change, including unpredictable weather; supporting the development of healthier and more sustainable communities; and helping to manage and create economic development as municipalities face competing priorities for funding and need to be competitive to attract investment opportunities, and to better utilize limited economic development resources.

There are a number of ways that a plan can help support and create economic development in the community: through avoided costs; retaining capital in the community; local and community-run supported energy initiatives can help keep energy dollars in the community; the use of energy programs and incentives can often be maximized through the planning process; and the development of a resilient economy, again, supported through new economic development and employment opportunities.

Maybe I can just turn to talk a little bit about the program in a little more detail. The minister mentioned that there are two streams of funding available. Stream one provides successful applicants with up to \$90,000 per project, or 50% of eligible costs, to develop a plan; whichever is less. The funding is allocated to stakeholder engagement; the gathering of baseline energy data; analysis of the data, which may include an energy map; and the creation of the plan.

Stream two provides successful applicants with up to \$25,000, or 50% of eligible costs, whichever is less, for the updating of an existing energy plan, climate action plan, or other type of plan, where updating of utility or structure data, updating of maps or plans would be useful.

The program itself is completed in three stages. The first is one of stakeholder engagement. That ensures that local stakeholders and organizations are engaged in the process of creating the plan. These stakeholders include municipal departments, elected municipal officials, local distribution companies, large institutional, commercial, and industrial energy users, business improvement associations, and local energy and environmental groups.

All of these stakeholders, then, through these meetings play a vital role in the development of the plan.

The second stage includes the development of some baseline energy studies and, potentially, energy maps. Those are helpful in measuring how much energy is used and helping municipalities understand where the opportunities reside. The map is also a useful tool for visually representing energy use in the community, and it helps communicate visually with the public and with the decision-makers about where and how much energy is used and where those opportunities reside.

The third stage is the development of the plan itself. Using consumption data from the studies, municipalities evaluate their opportunities by sector and then develop a plan.

As the minister noted, the ministry is accepting applications on an ongoing basis. To date, 12 municipalities have received funding. We're pleased to see that these represent a good cross-section of municipalities, both in terms of size of community as well as location around the province.

In addition to funding under the Municipal Energy Plan Program, we are also supporting some complementary initiatives, including providing funding to an organization called QUEST, which stands for Quality Urban Energy Systems of Tomorrow. That group is doing some complementary work in terms of workshops available to municipalities to help develop materials and modules that would help in the development of plans. QUEST is also interviewing municipalities to collect survey data about energy planning and holding discussions regarding any existing barriers or impediments to development of plans.

The findings from these interviews and workshops will help inform the development of the second part of QUEST's work, and that's the development of a model business case for developing and implementing plans in municipalities. That would allow municipalities to convey and calculate the economic benefits of implementing community energy plan actions.

The third project, and I'll just touch briefly on that, is really focused on small communities, where QUEST will work with small communities to develop some energy-planning data needs analysis, because small communities—and, there, we're looking at those with fewer than 10,000 residents—often face some challenges in terms of the energy data collection and the requirements. For example, a small community can often receive data from their utility based on postal code. A small community may only have a single postal code, or a single postal code may straddle a couple of municipalities. So again, the smaller municipalities and communities may have some challenges where QUEST's work can help identify some best practices.

The Chair (Ms. Cheri DiNovo): I think we're going to have to end it there. Thank you very much, Assistant Deputy Minister.

We now move to the official opposition. You have 20 minutes. Mr. Yakabuski.

Mr. John Yakubuski: Thank you very much, Chair. Thank you, Minister and Deputy Minister and the special counsel, for joining us today.

I'm hoping maybe we can change the tenor a bit by what I'm going to say. I hope the minister will take this in the kindest way. Estimates is different from question period, I find. You know how it's different? You still don't answer the questions; it just takes you a whole lot longer not to answer them. That's what I find here at estimates. But we're going to keep trying.

So \$1.1 billion in lost revenue for the first six months of this year on sales—energy that was sold at a loss to other jurisdictions. I'm going to get into the parts of that with regard to how much that adds up to, but you're probably just as good at math as I am. But I've got to ask the question: How can you get it so wrong that we lose a billion dollars in six months? And the record—it's been going that way for some time.

How can we have a system—we're supposed to have the best experts that we have manage that system so that the power being generated meshes with the demand across the province of Ontario. I understand we have to have some surplus capacity; there's no question of that. And there's always been an inertia system that helps to balance that out. But how can you get it so wrong that we're talking a billion dollars in six months? That's \$2 billion in a year. In two years, you'd have the \$4 billion that you claim you're going to get out of the sale of Hydro One.

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Our gas system is, for the most part, very dispatchable. Ramp it up; put the foot on the gas; take the foot off the gas—it's fairly flexible. Maybe not as flexible as coal was, but certainly quite flexible. Hydro, wrong as it is—and you keep doing it; you keep spilling water which could be used to generate power. And you never gave me that number, by the way; I'm still waiting for that, about how much the value of that is. But at least you can do that: If you've got an imbalance, you can allow the water to pass by the turbines. Nuclear is our baseload. You have a limited amount of flexibility. You can let off steam, whatever, but very little in that regard. So what is the problem?

The only thing left in the system, then, is your sweet-heart wind turbines and, to a very small degree, solar. I mean, it just doesn't produce that much power on a percentage basis. So why is it that we have these massive surpluses that you can't seem to control? Gas, you can control; hydraulic, you can control; nuclear is baseload, so we shouldn't even be thinking about that. Why are we losing \$2 billion in a year because of your inability to manage the inertia and the balance between generation and demand? Why is it? The people you have managing that system: Are they incompetent? Or are your policies and your energy generation choices the reason behind that?

It's going to be \$2 billion this year. I'm pretty comfortable in saying that.

Hon. Bob Chiarelli: I forgot the question.

Mr. John Yakubuski: Well, the question is—let me help you—how can you get it so wrong, and who is responsible for it? Is it you, the minister? Is it the gentleman beside you? Is it the people at the IESO? Or does it go right to the corner office on the second floor? Who's responsible, and who's going to take responsibility for it?

Hon. Bob Chiarelli: I'm going to answer the question and then I'm going to ask the deputy to expand on it somewhat.

I think you understand, more or less, how the system has to work in terms of adjusting on a minute-by-minute basis, on an hour-by-hour basis, on a season-by-season basis. So there are times, at very, very peak—

Mr. John Yakubuski: But how can you forecast it so wrong on given days?

Hon. Bob Chiarelli: Let me finish. It's not a question of bad forecasting. There are times in our summer peak when we're at 22,000, 23,000 megawatts.

Mr. John Yakubuski: Right.

Hon. Bob Chiarelli: There are times in any season when the consumption fluctuates, sometimes very significantly. So at 2 a.m., you might be consuming or putting out 8,000 megawatts to keep whatever has to be on when business is down, people are sleeping, that sort of thing, and then it comes up during the day, at different times of day and on different days of the week. So there is an operator—assume that it's one person with control of getting power up or down and getting power out. Okay?

Mr. John Yakubuski: I understand how it works.

Hon. Bob Chiarelli: You understand that. But here's the point: They have very sophisticated algorithm software—

Mr. John Yakubuski: Apparently not sophisticated enough.

Hon. Bob Chiarelli: —that can predict when you're going up and when you're going. So at a period when the demand is fairly low, or reasonably low, and you have the capacity or the ability to generate more power, and sell it—and the price varies. So I'm sitting there as an operator and I'm actually using, in Ontario, 15,000 megawatts, and somebody in another, adjoining jurisdiction wants to buy some power, and there's a market price for the power.

Mr. John Yakubuski: They'd buy from you because it's free.

Hon. Bob Chiarelli: No, I can say: "I'm not going to sell it to you for X dollars because it's not high enough. So I'm not selling it to you."

Mr. John Yakubuski: We understand how that works.

Hon. Bob Chiarelli: Or you could sell it, and that generates revenue that you otherwise wouldn't have.

Mr. John Yakubuski: I understand all of those things, Minister. That's not the question.

Hon. Bob Chiarelli: That's what happens, so just to give you the number—

Mr. John Yakubuski: If I could ask the minister to answer the question: Who's responsible?

Hon. Bob Chiarelli: Well, the answer to the question is: Revenue from electricity exports reduced costs for

Ontarians by \$320 million in 2014. That's because we've sold power when we didn't need it. We didn't have to consume it ourselves. It's perfectly logical—

Mr. John Yakabuski: So you had \$300 million in income and \$2 billion in losses.

Hon. Bob Chiarelli:—and a good business decision.

You were in the hardware business. It's not an exact analogy, but you were in the hardware business. You had an inventory that you had to sell. You get an inventory and it's a summer inventory—

Mr. John Yakabuski: You know, when I sold that inventory, I wish I had kept one hammer.

Hon. Bob Chiarelli:—and at the end of the summer, you've got summer inventory that's not going to sell. You're not going to use it in the winter, you've got to get new, so you put it on sale and you clear out your inventory because it's surplus. And you put the money in the bank. You have a choice of taking that inventory—

Mr. John Yakabuski: Chair, he's not answering my question.

Hon. Bob Chiarelli:—and putting it in a landfill, or you could actually sell it at a discount. Did you ever put anything on sale? Why did you put it on sale?

Mr. John Yakabuski: Okay, he's asking me questions now. I'll take it over.

Hon. Bob Chiarelli: You were giving it away?

Mr. John Yakabuski: Thank you very much, Minister.

Hon. Bob Chiarelli: The deputy has to finish. The deputy has to answer the question. No, I'm sorry. Deputy, answer the question.

Mr. John Yakabuski: No, I have some other questions, Deputy.

Hon. Bob Chiarelli: Deputy, answer the question.

Mr. Serge Imbrogno: I'll be very concise.

Mr. John Yakabuski: No, you won't. Thank you very much.

The Chair (Ms. Cheri DiNovo): I think Mr. Yakabuski has the floor—

Hon. Bob Chiarelli: We have a right to answer the question.

Mr. John Yakabuski: My question was: Who's responsible? I didn't get a—

Hon. Bob Chiarelli: Are the answers time-limited?

Mr. John Yakabuski: I want to point out, Minister: No other jurisdiction—I'll give him a chance on this one, providing you don't—seems to have the same problem with the balancing, and you know why? I know how the IESO works. They forecast power every hour. They're continuously forecasting power. And why do they get it wrong? Because we don't control Mother Nature. We can control the gas plants. We can control the hydraulic plants. We know what we're getting with nuclear. But you don't know what you're going to get at 2 o'clock in the morning from your turbines. And all of a sudden, you've got a slew of power, and you have no customer to use it in the province of Ontario. So you're giving it away.

Hon. Bob Chiarelli: We don't use it because wind is subject to dispatch now.

Mr. John Yakabuski: Oh, so you're going to tell me that you're controlling the wind that comes into the system?

Hon. Bob Chiarelli: The IESO has one of the best operating systems in the world, certainly in North America.

Mr. John Yakabuski: Well, it ain't working that well, then, is it, or we wouldn't be giving away \$2 billion of power in a year.

Hon. Bob Chiarelli: It's working extremely well. Not only is it working extremely well; the other systems are operating in the same system, doing the same thing.

Mr. John Yakabuski: They're not losing \$2 billion a year. You name me a jurisdiction that sold \$2-billion worth of power at a loss.

Hon. Bob Chiarelli: We purchase power below cost all the time.

The Chair (Ms. Cheri DiNovo): One at a time, please.

Mr. John Yakabuski: Thank you very much, Chair. You're doing a good job.

My point is that if you were able to control the system and balance that—the problem was never, ever to this extent until you people brought in your Green Energy Act.

Hon. Bob Chiarelli: Because you had a deficit. You didn't have any surplus to sell. You were operating at a deficit.

Mr. John Yakabuski: It was never the extent until you people brought in the Green Energy Act. Even under you, until you brought in the Green Energy Act, you never had the challenges balancing the system until you brought in the Green Energy Act.

Supply has increased, demand has dropped, but you continue to exacerbate the problem. And that's why it grows. Every year we seem to be exporting more at a loss than we were the year before because you continue to put more essentially undispatchable power, uncontrollable power, one that you don't have the switch for, into the system. That is one of the things that is driving up the price of power. So why do you continue to insist on doing that? That's an answer that I'm not asking for because I really don't have the 20 minutes to get the answer. I'm going to move on.

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In May of this year, rates went up by \$5.71 a month for the average consumer. That's \$70 a year. This year, you're going to cancel the clean energy benefit. That's going to be \$1.1 billion more onto the hydro bills. When you're calculating your increases this year—and I know you're going to say that you're going to be getting rid of some other things. But if you look at \$70 for the increase, we're looking at another increase in November—you claim you don't know what it's going to be, but I do believe you have some of those numbers that will give some people some idea of what it's going to be, because you know what's been happening in the last six months.

The Ontario Energy Board isn't going to just pick a number out of the sky on Halloween and say "trick or treat" to the people of Ontario. It's going to be one that has been based on all of the things, the criteria, that have been happening over the last several months

Altogether, we've got a \$70 increase in May, another \$8.40 for the Ontario Electricity Support Program and then the removal of the clean energy benefit, so that's about an increase of \$230 in one year before you include the November 1 increase. So when you're telling people that they're going to rise 42% between 2013 and 2018, have you calculated all of those changes, including the removal of the clean energy benefit, in that calculation of 42%?

The Chair (Ms. Cheri DiNovo): I'm going to remind you, Mr. Yakabuski, that you have about five minutes left.

Hon. Bob Chiarelli: As you may be aware, in the 2013 long-term energy plan, there were price projections over a 20-year period. We adjust those projections on an annual basis. We have been taking very significant costs out of the system, including new nuclear, including \$3.9 billion out of the Samsung contract that we had. Dispatching wind reduced the costs significantly out of the system. There are a number of other cost savings that we've done.

Where there have been pressures, they've been added in, too. On an annual basis, there are cost pressures, and we reduce the cost pressures. We have an overriding policy in the ministry. On a regular basis, we speak to the various agencies that we have been working with, and they have to report back in terms of how they're containing costs as part of our system.

I'm going to turn it over to the deputy and he's going to refer to where those projections are and in fact how the projections are coming down.

Mr. John Yakabuski: I have another question, though, first.

Hon. Bob Chiarelli: No, we want to answer this one first. Be patient.

Mr. Serge Imbrogno: As the minister said, in the long-term energy plan, we provided a forecast going forward, taking into account all the changes. In addition to that, we would have factored in all the savings that the minister talked about. We tried to be as transparent as possible. There are modules that we also provided that give all the detail that go into that projection. We have that on our website. There are six modules. Each module has all the details that break out our cost projections.

The OEB, as of today, would have whatever information they would need to do their projection going forward, which may vary slightly from our LTEP projections depending on where the forecasts have been. I can't forecast where the OEB is going to come out with their update November 1, but our LTEP projections try to take into account all the cost pressures and also all the cost reduction pressures. So we would have understood that the DRC would have changed and that would have been added on and so on.

Mr. John Yakabuski: Going back to the minister, he says he can dispatch the wind—well, he can't dispatch the wind, but he may believe that he can dispatch the wind generators and tell them, "We're going to take your power or we're not going to take your power"—

Hon. Bob Chiarelli: Dispatch means, yes, we're going to the power and you're not getting paid for it.

Mr. John Yakabuski: Yes, I understand. You're going to take the power or you're not going to take the power.

Hon. Bob Chiarelli: The risk is with the generator.

Mr. John Yakabuski: So all of the people who are currently in the system—or were in the system before you changed the rules—you tell generator A, who had a contract with you—

Hon. Bob Chiarelli: It applies to all of them, old and new.

Mr. John Yakabuski: It applies to them all. So you're saying that if you're not taking their power, you're not paying them a nickel?

Hon. Bob Chiarelli: It's on the same basis as the other types of—

Mr. John Yakabuski: So what basis?

Hon. Bob Chiarelli: It's on the same basis as the other types of generation, in the sense that the power purchase contracts that are there for gas, for example—they will get paid, sometimes, for power they're not generating under their contract, because the demand is down or for whatever other reason. You could not actually operate a business relationship with any of them if there was not some kind of control or a governor over that particular issue.

Mr. John Yakabuski: Understood. You don't have to explain that, yes.

Hon. Bob Chiarelli: So they have been put in the same place, under the same type of formula as the other generators.

Mr. John Yakabuski: So would you provide that formula to the committee for the next meeting—the formula for how you pay those generators when they're not actually putting power into the system but they have the capacity and they're turning, but they're not putting it into the system? You're paying them for not producing power.

Mr. Serge Imbrogno: If I could just expand on what the minister was saying, when generators became dispatchable, there was a negotiation between the IESO and the people that had contracts. The IESO negotiated a set amount of hours where they could dispatch them off without providing any compensation. And then above a certain amount of hours, they would receive compensation.

Mr. John Yakabuski: Right. Can you give us the details of those contracts? Not the individual, because you said they're all the same. So—

Mr. Serge Imbrogno: There were negotiations with the contract holders, which I believe are confidential, so we can't disclose exactly what's in each of those contracts.

Mr. John Yakabuski: We're not talking about each contract. The minister just said, "They're all the same." So we need to know: Can you tell the committee what the number of hours is, how much they get paid when they're turning, how much they get paid not to turn—those kinds of things. You don't have to give the names—

The Chair (Ms. Cheri DiNovo): I'm afraid your time is up, Mr. Yakabuski.

We're going to move on to the third party, Mr. Tabuns, for 20 minutes.

Mr. Peter Tabuns: Thank you, Chair.

Minister, I understand that your government is expecting to raise \$9 billion in proceeds from selling 60% of Hydro One, which would indicate a market value of about \$15 billion. What's the basis for that valuation?

Ms. Sharon Geraghty: I just have to—may I just interject? One of the things that we clearly can't do as a legal matter is speculate about the value of the shares of Hydro One in that sense. Obviously, let the minister explain how they've come up with their estimates in response to this, but it's very important, and I just wanted to remind him that we not—this is very sensitive; it's a very important issue from a regulatory point of view—that we not be perceived to be talking about what he is expecting to obtain in this offering, or future offerings for the shares of Hydro One. It's an important legal point, and I just wanted to—

Hon. Bob Chiarelli: To be compliant with the securities regulator.

Mr. Peter Tabuns: Fair enough. But I've been told, and I've heard repeatedly in the House, that we're going to raise \$5 billion to pay down debt and \$4 billion to pay for infrastructure. When I add those numbers together, I get \$9 billion. There may be restraints on speculation, but based on the public statements made by this government over a number of months, that's the number that people in this province are expecting.

Ms. Sharon Geraghty: And I just want to emphasize again the legal point and also remind people that this is one tranche of shares that's being proposed to be made now, and then tranches in the future—and that's why it's important as a legal matter that we not speculate publicly about the value that will be obtained in this offering. It's just a very important point. I'm going to obviously let the minister respond, but I wanted to explain why he has to be careful in his response. He will respond, but—

Mr. Peter Tabuns: His government has been stating that number all over the province for a while.

Ms. Sharon Geraghty: I have no concern about what his government has been saying, as a legal matter. I just wanted to explain that as you press him with the questions, I have advised him to be very cautious about how he answers them.

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Mr. Peter Tabuns: Okay.

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: The government has said that it will expect the \$4 billion in proceeds that would be invested in the Trillium Trust. It's also expecting to pay

down \$5 billion in debt. Those are the parameters that have been out there. I think that's in the public domain.

Mr. Peter Tabuns: How did you come up with a valuation of \$15 billion for Hydro One?

Mr. Serge Imbrogno: I don't want to get into how that valuation was made. There was a range in the Premier's council report of \$13.5 million to \$15 million, but that was at a point in time and there were certain assumptions that were made. I'm trying to delink that from what we're talking about with the \$4 billion and \$5 billion—

Mr. Peter Tabuns: I'll set aside the amount you expect to raise from the sale. How was the valuation reached of that \$13.5 billion to \$15 billion for the market value of Hydro One?

Hon. Bob Chiarelli: There were very extensive analyses done by the members of the task force, who are very experienced in these types of valuations. There was very significant market testing with other investment bankers and people who are in the electricity sector and so on and so forth.

There are certain formulae that are assessed. They look at rate of return. They look at asset value. They look at possibilities for appreciation in value of the shares over time. There's a whole number of factors. That information was assimilated and digested. The \$5-billion and \$4-billion numbers that were put out quite some time ago—we expect to have those numbers verified in the very near future, and that those numbers are holding.

Mr. Peter Tabuns: About a week ago, Bloomberg reported that the IPO market was heading to its worst year since the financial crisis of 2008. How has the change in investor climate since April changed the estimated value of Hydro One?

Hon. Bob Chiarelli: The experts that we have advising us have been following the market. As a result of their analyses and advice to us, we feel confident that the \$5-billion and \$4-billion numbers are holding.

Mr. Peter Tabuns: So you're expecting that the market will be as good now as it was when the numbers were calculated in the spring?

Ms. Sharon Geraghty: Again, I just want to caution: I think the minister is being very careful not to speculate about what's going to happen in the market or what's going to happen on this offering.

Mr. Peter Tabuns: Maybe this is a requirement of securities legislation, but I do have to say, when we can't ask about the public business of the province anymore, when we're shielded from that, it speaks to the level of alienation of the public interest from the actions the government is taking.

Ms. Sharon Geraghty: I want to assure you that I'm not suggesting he can't answer the questions. I simply want to explain what's also a very important public-interest concept that your securities regulators, that your securities legislation imposes. The minister is being asked to respect that as well as respond to your questions.

Again, I did not mean to suggest in any way that he was not responding to your questions. I just always want

to remind people because it's very important. I've just impressed upon him, in responding in this particular area, how important it is, but I did not say that he was not going to respond to your question. I think he has continued to do so. I just wanted to explain the principle again because it's not one that you deal with every day—

Mr. Peter Tabuns: You're right. We don't often sell off big chunks of the province.

The discussion that we had the other day, Minister, in which you talked about the difficulties that will be faced by local distribution companies and by distribution and transmission companies generally—I'll just read what you had to say: "What I'm saying—I don't think I've made clear what I was saying. What I'm saying is the business case that we know now for LDCs will not be holding up over time because they're going to be getting less revenue because there's less consumption and less demand."

I assume if it's true for LDCs, it's also true for transmission companies—that they will be facing a much tougher market in the years to come. Is that correct?

Hon. Bob Chiarelli: I was very clear in pointing out that the distribution sector is well positioned to take advantage of growth markets, growth commodities and growth products in various ways.

If you look at a company like PowerStream, they're adapting very, very well. If you look at Peterborough power, for example, first of all, they're in the generation business, not only distribution, and that's adding significantly to their bottom line. If you look at Hydro Ottawa, they're in the process of expanding as a distribution company only. They own a dam on the Chaudière Falls in the Ottawa River and they're adding 35 more megawatts to that.

The member from Renfrew–Nipissing–Pembroke knows quite well—I was in Renfrew just a week and a half ago, where we were renovating and expanding an existing dam for Renfrew Power, and it was going to generate revenue for them.

What I was saying is that there need to be changes which provide a lot of upside, but it's not strictly in the distribution side. Indeed, we've amended the legislation, the Ontario Energy Board Act, so that—and virtually all of the municipal LDCs, private or whatever, have a holding company; so their strict distribution business is in an operating company, and in the holding company they operate other revenue streams and they have other business expenses. They don't want to intermix that with the rating process before the Ontario Energy Board.

In the case of Hydro Ottawa, for example, expanding the dam—in fact, they just bought several dams in New York state—

Mr. Peter Tabuns: No, you noted that as well the other day. I can quote you. You're repeating exactly those talking points, Minister. I appreciate your memory on these matters—

Hon. Bob Chiarelli: Those are facts. They're not just talking points; they're facts.

Mr. Peter Tabuns: Sometimes talking points are based on facts. I'm just saying you memorized it well. You're pretty much verbatim with what you said the other day.

But I want to go back, then. The Hydro One transmission and distribution business: We can see less demand on the horizon not just for Hydro One, but all kinds of distribution companies, so we can expect that that portion of business will in fact be decreasing. I'm going to get into that later in my questioning because I want to talk to you about North American electricity markets.

But going back to this, the examples you used were of distribution companies that were going to take hold of or develop generation assets. Are you expecting that Hydro One will become a major generator in a province that has a surplus of electricity?

Hon. Bob Chiarelli: I think—well—

Ms. Sharon Geraghty: Again, I just want to caution about speculating about what Hydro One might do in the future.

Hon. Bob Chiarelli: Okay. Hydro One in many respects is a distribution company—

Mr. Peter Tabuns: And a transmission company.

Hon. Bob Chiarelli: —like many others. I've given you a range of examples in terms of Hydro Ottawa, in terms of Peterborough Utilities, in terms of PowerStream. We're getting involved in various things. I would be very surprised if Hydro One would not be seeking the same benefits as other players are in that particular field. And some of them are doing extremely well in that field.

Mr. Peter Tabuns: So I take from that that there's a potential for even more electricity generation development in Ontario in a market that's already—and I note that my colleague referred to this earlier—awash with power.

Hon. Bob Chiarelli: Well, let's be very clear here. When you predict your procurements, you're predicting five, six, seven years down the road. We are going to be going through a process of about 14 or 15 years of refurbishments. We will be taking nuclear units out of commission, and that power has to be replaced, okay?

Mr. Peter Tabuns: That's right.
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Hon. Bob Chiarelli: So the procurements that you're seeing now, including procurements for hydro dams in particular which we're seeing across the province, which are clean and affordable energy—you're going to see procurements which are being given now come on stream. Picking—I don't know how many thousand megawatts; 2,000?

Mr. Serge Imbrogno: Three.

Hon. Bob Chiarelli: Three thousand megawatts at Pickering, and that's scheduled to be closing in 2020, so those megawatts have to be made up. You're going to have some nuclear units from refurbishment coming out of commission, as well, so the procurement that we're doing now is an anticipation of meeting that requirement down the road. The procurements we're doing now are

not going to be generating power tomorrow. It's three, four or five years down the road.

Mr. Peter Tabuns: I think you've answered my question.

When I look back at the payment-in-lieu system, when I look at the dedication of profits from OPG and Hydro One, we've had them flow into the Ontario Electricity Financial Corp. to pay off outstanding hydro debt. I know there are some interesting quirks in there, but I'll take that model for the moment. Have you done a calculation of how the sale of Hydro One and loss of part of that revenue stream will impact the reduction of the stranded debt?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: The calculation of the residual stranded debt is done by the Ministry of Finance, so we don't do that calculation. The ministry would be doing that as part of its budget cycle.

Mr. Peter Tabuns: So it's an area that you have no knowledge of?

Mr. Serge Imbrogno: Well, not that specific question. I have general knowledge, but not of the specific question.

Mr. Peter Tabuns: Are you aware as to whether or not a study has been done to see if loss of that—

Mr. Serge Imbrogno: I'm not aware. It's only because I used to work at finance and I know the general ins and outs of the OEFC.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have just over five minutes left.

Mr. Peter Tabuns: Yes, thank you. I may come back to that.

I'm going to go on to another area for the moment: the Bruce Power reactors. What's the status of negotiations for refurbishment of those reactors?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: There are discussions between the IESO and Bruce Power. We said in the long-term energy plan that we're moving forward with refurbishment of both Darlington and Bruce, so those commercial discussions are ongoing.

Mr. Peter Tabuns: My recollection was that the refurbishment at Bruce was starting fairly soon—in 2016, I think. Is that the case?

Mr. Serge Imbrogno: In the long-term energy plan, there is an indicative schedule. That schedule is always being optimized by the IESO, so they'll have to take into account where the Darlington refurb is, where the Bruce refurb is and kind of optimize that, so that schedule could shift.

Mr. Peter Tabuns: Has it shifted?

Mr. Serge Imbrogno: Again, it's part of the negotiation discussions between IESO and Bruce Power. From that discussion, they'll optimize the schedule.

Mr. Peter Tabuns: Do you know if we're close to settling an agreement with Bruce or not? Are we far away from it or is it very near?

Hon. Bob Chiarelli: It's very well advanced; extremely well advanced.

Mr. Peter Tabuns: Okay. Will the price for power that's negotiated with Bruce Power be brought to the Ontario Energy Board for review?

Hon. Bob Chiarelli: It's a power purchase agreement. As all power purchase agreements are, it's a negotiated price. The power purchase contracts have not been required to or have not gone to the Ontario Energy Board for determination.

Mr. Peter Tabuns: How much of our electricity supply is outside of the regulatory authority of the OEB?

Hon. Bob Chiarelli: Well, there are all the power purchase contracts for gas plants, renewables and some other types of generation, combined heat and power, etc. You can—

Mr. Serge Imbrogno: We can get the exact percentage, but all of OPG is regulated. Off the top of my head, maybe 50%.

Mr. Peter Tabuns: So 50% is not regulated and 50% is?

Mr. Serge Imbrogno: That's just a guess, off the top of my head, but it's really OPG—

Mr. Peter Tabuns: Deputy, I appreciate that. If you can get back to us—

Interruption.

Mr. Peter Tabuns: Oh, you may have a more precise answer in front of you right now.

Mr. Serge Imbrogno: Not at this point, no.

Mr. Peter Tabuns: Okay.

Mr. Serge Imbrogno: But I will get you the exact percentage.

Mr. Peter Tabuns: So if that could just be noted as an undertaking, to provide us with the precise percentage of power that's regulated and that which is not.

Hon. Bob Chiarelli: Incidentally, some of the non-regulated was NDP non-regulated power purchase contracts.

Mr. Peter Tabuns: Are you talking about the non-utility generators?

Interjection.

Mr. Peter Tabuns: Yes, you are. I remember my colleagues complaining bitterly about having them dumped on their shoulders by the Liberals, but I understand what you're saying, Minister.

Apparently, the Ministry of Energy has brought forward a regulatory amendment that seeks to smooth out the cost of the \$10-billion Darlington nuclear plant refurbishment. What disruption are you looking at that has caused you to bring forward a regulation to change the way that the OEB will consider rate applications from OPG?

Mr. Serge Imbrogno: The regulation would allow for smoothing of the capital costs of the project—OPG's rate recovery—so that rather than a lumpy cost recovery, it's smooth over a period of time.

Mr. Peter Tabuns: How lumpy would the cost recovery be?

Mr. Serge Imbrogno: Well, I just want to be clear: It doesn't take away OEB's ability to review for prudence, so we are not saying anything about OEB's ability to

look at costs and determine whether they're prudent or not. Once the OEB determines that costs would be prudent, it's saying how those costs are smoothed out so that the ratepayers don't see a large change.

Mr. Peter Tabuns: Now, you're aware that the OEB has rejected this approach to financing in the past, this construction-while-in-progress financing.

Mr. Serge Imbrogno: This isn't quite the same thing. This would be the OEB reviews. It's just a smoothing of the rate over time. We're not trying to get advanced approvals for construction work in progress; this is just smoothing the rate.

Mr. Peter Tabuns: How volatile would the rates be, if your regulation doesn't go forward?

Mr. Serge Imbrogno: That will all depend on when it goes to the OEB, what costs are approved, so it's hard to speculate what that change would be, but it's prudent just to have that regulation in place to smooth the rate.

Mr. Peter Tabuns: So you're moving forward with a regulatory change that reshapes the way that the OEB deals with rates based on something that you don't really know is going to have an impact or not?

Mr. Serge Imbrogno: It doesn't change the way that the OEB reviews for cost prudence. It would just allow the government to provide direction on smoothing of the rate. The cost will still be recovered by the rate base; it will just ensure smoother recovery.

The Chair (Ms. Cheri DiNovo): I'm afraid we're going to have to stop there and have a five-minute recess. We will meet back at 5:02.

The committee recessed from 1657 to 1702.

The Chair (Ms. Cheri DiNovo): I believe we are ready. It is the government's turn now. You have 20 minutes. Mr. Ballard.

Mr. Chris Ballard: Thank you very much, Chair.

Mr. Minister, the discussion about the deferred tax asset just made me think for a minute—and I'm thinking back to the last time we were together—it's in response to the question from the third party on Tuesday, regarding deferred tax liability. Your special counsel explained how this would impact Hydro One's balance sheet, but it would also be helpful if you could also explain how this deferred tax asset would impact the Trillium Trust.

Hon. Bob Chiarelli: First of all, just as a general comment, I think that most MPPs would know that the whole area of taxation, when it comes to the corporate sector—mergers and acquisitions—is extremely complex and takes a lot of analysis, and certainly all of that analysis has taken place with a significant number of consultants—legal etc.—in terms of putting the taxation issue in proper context, moving forward with this transaction. Certainly it's important that the public be very, very clear about what is happening in that regard as well.

So I'm not even going to try to get into the weeds on that particular issue myself. I have a few words to say afterwards, but I want to pass this on to the corporate tax expert that we have in the room with us.

Ms. Sharon Geraghty: Thank you very much, Minister.

I think it might be worth recapping just how the deferred tax balance account works because it is, as the minister says, complex.

I think the best place to start—because I've been mentioning many times that I want to make sure that we stay grounded in the prospectus, so I do think it's useful for me to start with what's in the prospectus on this. In the prospectus, you'll see that there are pro forma financial statements. Those are financial statements dated as of December 31, 2014. Their purpose is to try and show investors the financial statements of the company, adjusted for the transaction.

One of the key adjustments in those pro forma financial statements in the prospectus relates to this deferred tax balance. It has, really, two impacts that it's adjusting for. As I mentioned yesterday, when Hydro One leaves the tax-exempt regime, that has two impacts on it. There's an immediate requirement for it to pay departure tax—we talked about that at length yesterday. The other thing that happens, which we also discussed yesterday, is that this revaluation of assets creates future tax savings for the company.

One of the key adjustments in that pro forma financial statement, dated as of December 31, 2014, is to try and illustrate what that does. What the accountants do is that they see that there will be these tax savings from the revaluation of the assets. What happens on the revaluation of the assets is that the fixed assets are moved to their current value and there's a tax account, which is called an eligible capital expenditure, created. That's what generates the potential future tax savings.

The accountants look at that, and what they've done in the pro forma financial statements is they've taken the balance of the deferred tax account—actually, the balance, as at December 31, 2014, was a deferred tax liability. They eliminate that deferred tax liability, which is in the pro forma financial statements—about \$1.355 billion—and, actually having reversed that amount, they also add a deferred tax asset, which they estimate, as of that date, to be \$1.245 billion. When you look at that overall adjustment and you do that math—\$1.355 billion plus \$1.245 billion—that adds up to \$2.6 billion. That's the adjustment.

I do want to say, because we talked so much about \$2.6 billion yesterday, that there is a coincidence of math happening here. It happens that the immediate departure tax that I talked about yesterday is estimated to be \$2.6 billion. It's a different \$2.6 billion; it's a coincidence of math that they're the same, even though they're both related to the revaluation of the assets.

In any event, we have this adjustment that I mentioned of \$2.6 billion, which is a positive adjustment, in the pro forma financial statements, estimated as of December 31, 2014. Immediately after closing, the province would own, if they do this tranche of 15%, 85% of the company. In consolidating the province's financial statements, they would take 85% of that \$2.6 billion into the province's

statement. That 85% of \$2.6 billion is, I know, about \$2.2 billion.

Of course, the actual positive adjustment will depend on the actual results of Hydro One, which, I will say again, we're not going to speculate about. That gives you an order-of-magnitude idea of what happens. That's a positive adjustment in the fiscal results that the province should enjoy, estimated as of December 31, based on the pro forma financial statements. I hope that's helpful.

Hon. Bob Chiarelli: I think it's helpful and I just want to comment on it briefly, myself. I just want to bring us back to basics—why we're here, in any case.

There's a very large, I think, agreed-to consensus across Canada, including Ontario, including eastern Ontario, including the riding of Pembroke–Nipissing–Renfrew, that there's a significant infrastructure deficit. I think that the member from Pembroke–Nipissing–Renfrew would define Highway 17 widening as an infrastructure deficit. The province has been working, in increments, to get that as far as Pembroke and maybe beyond.

We're making gallant efforts; we've expended a lot of money doing it. But it's not in a timely manner and it continues the infrastructure deficit. We have a Premier who has determined, with a 10-year infrastructure program of \$130 billion, to make a dent in that infrastructure deficit. Part of that is the proceeds from the broadening of ownership of Hydro One.

1710

As you've just heard, the Trillium Trust provides for the dedication of net proceeds from the sale of qualifying provincial assets to fund infrastructure projects that would create jobs and strengthen the economy to build Ontario up. The province remains committed to allocating all net revenue gains from broadening the ownership of Hydro One to the Trillium Trust. The province will move forward with amendments to the Trillium Trust Act, 2014, that would, if passed, name the province's shares in Hydro One as a qualifying asset and ensure that all fiscal benefits from the estimated gain would be directed to the Trillium Trust.

These amendments to the Trillium Trust Act, 2014, would allow all the fiscal benefits to be used for investments in transit, transportation and other priority infrastructure projects like the Highway 17 widening and that type of asset which exists across Ontario and, in fact, across Canada. As I said, we're determined to make a dent in those. These amendments will ensure that the province remains on track to deliver approximately \$4 billion to the Trillium Trust and \$5 billion towards debt repayment, as outlined in our 2015 budget.

I just wanted to indicate that there have been a number of political statements—directions—in this regard over the course of the last short period of time. The recent leadership candidate for the PCs, for example, the member from Whitby–Oshawa, in her leadership campaign was very, very clear. She was clear in that she said that she would look at repurposing assets. As well, she

mentioned the LCBO and the Beer Store. She mentioned the energy sectors—OPG and Hydro One.

We have the current leader, who I think still has adopted—because no one has disavowed it—the white paper that Tim Hudak had adopted, which stated quite clearly that they would look at broadening ownership of Ontario Power Generation and Hydro One, as well as looking at other assets, and that the public would remain—it was part of the white paper—protected with the Ontario Energy Board in terms of regulating rates.

So the concept is not new upon which we're moving forward, and I think that with the initiative that we have, the work we've done on the eve of the IPO becoming actualized, if I can use that term, we're heading in the right direction. So that's the answer to the question.

Mr. Chris Ballard: Thank you.

The Chair (Ms. Cheri DiNovo): Mr. Delaney.

Mr. Bob Delaney: Minister, Ontario is looking into clean energy imports from a number of different locations. Just recently, we as a province announced—in fact, you did—our agreement with the province of Quebec which was possible because we were dealing from a position of strength, and Hydro-Québec doesn't negotiate from a position of being charitable. They want to make sure that they do their best for their jurisdiction and, in this case, we were able to achieve a very, very strong mutually beneficial agreement with Quebec to bring in power at a time that we need it and to export surplus power at a time that Quebec needed it.

Mr. John Yakabuski: Five hundred megawatts—it's a pittance.

Mr. Bob Delaney: Just before I go into it, just to put things into some perspective, I've had the opportunity recently to travel in the United States and see just what it is that the Americans are doing. In fact, some of them have stated pretty candidly that they're trying to catch up to Ontario. For example, just this spring in the United States, the Americans issued their first of what they call a Quadrennial Energy Review. It was in April of this year, 2015, and its scope and its objectives are very, very similar to our own long-term energy plan.

When one looks at the Americans, their jurisdictions have similar structures to us here, with different names, but they serve much the same function as the OEB and the IESO. So for example, just recently the Electric Power Research Institute in the States talked about their move toward integration. They have talked a lot about conservation first. America is becoming very aggressive with smart meters.

Just as IESO daily monitors weather and seasonal factors, they sit down first thing in the morning and they talk about conditions and outages and other issues in other areas to which Ontario interconnects. We talk about the trends in the season; so too do they do that in the States, which suggests that where we have gone beyond talking about smart meters and actually implemented them—similar jurisdictions in the States that are years behind us would include, for example, Florida Power and Light, Baltimore Gas and Electric, Central Maine Power,

the Iowa Association of Municipal Utilities and many more.

Where the long-term energy plan has involved consumer engagement in the States, utilities such as Commonwealth Edison, FirstEnergy, Sacramento Municipal Utility District, Kansas City Power and Light and Pepco are playing catch-up to Ontario.

One of the things that we are doing to stay ahead of that curve is—

The Chair (Ms. Cheri DiNovo): Mr. Delaney, just to let you know, you have five minutes left.

Mr. Bob Delaney: Thank you.

We've talked about the possibility of importing clean energy from Newfoundland and Labrador.

So perhaps you could inform the committee what's being done in regard to the possibility of importing electricity from Newfoundland and Labrador.

Hon. Bob Chiarelli: I'll try to squeeze it into three or four minutes.

First of all, the context of it is that the Premiers from across Canada have a goal and an aspiration of creating a national energy plan. They've taken some significant steps towards that, and part of that is the aspiration of having a Canada-wide grid. Steps are being taken—the first part of that, of course, was the agreement with Quebec, and to my friend from Renfrew–Pembroke–Nipissing, yes, the actual agreement in place is for 500 megawatts. We also have another MOU in which we're trying to negotiate an additional 1,000 megawatts that would be available to us during the 12 or 13 or 14 years of refurbishment. That's on the basis that they would have to supply us that electricity at less than what our current costs are, and we're still working towards that.

Ontario and Newfoundland have also passed another memorandum of understanding to see whether or not it might be possible to bring Newfoundland Power to Ontario. That's becoming more realistic because Emera is in the process of building a maritime link, which is a transmission link, which will bring Newfoundland Power into the northeastern United States, which includes New England, New York, Boston and New York City. It is already in the process of marketing that power, which will be available in three or four or five years to that geographic area.

What is being explored with Ontario is the possibility that if that power is being transmitted to New York state—we have an intertie with New York state—it may very well be possible for that link.

Again, it's not a significant amount. We're talking about 1,000 megawatts that might be available and, again, it's only on the basis—obviously it will be clean because it's electricity, but it also has to be below our cost.

1720

Deputy, you have a minute or two. Do you want to add to that?

Mr. Serge Imbrogno: Yes. I'll just start, and then if I don't get through the minute or so that's left, I'll ask Steen Hume to come up and talk about it a bit.

Similar to Quebec, my deputy colleague from Newfoundland and Labrador and I have set up a working group. Representatives from the IESO and Nalcor are on that working group, and we also have ministry staff. Steen Hume, our ADM, is the lead from the ministry who has been participating in those discussions. As the minister said, we have signed an MOU where we are going to be exploring opportunities to further enhance our potential trade with Newfoundland and Labrador.

The working group, similar to Quebec, also deals with other issues in terms of remote communities. All provinces across Canada have issues with remote communities, so we're also working with Newfoundland and Labrador on a pan-Canadian strategy to address that issue as well.

Let's bring Steen up, and he can start to give you a bit more detail on what is in the negotiations to date.

Hon. Bob Chiarelli: You have 50 seconds. Talk fast.

Mr. Steen Hume: Good afternoon. My name is Steen Hume. I'm the assistant deputy minister of the energy supply policy division.

Just to provide a little bit of additional content with respect to the working group that I'm participating in with my colleagues at IESO as well as Newfoundland and Nalcor: One of the areas that we're going to spend a fair amount of time on is looking at what Ontario's supply requirements are—understanding what is the quantity, the seasonality and the desirability of certain supply attributes from a short-, medium- and long-term perspective. Conversely, we're going to have Newfoundland explore—

The Chair (Ms. Cheri DiNovo): I'm sorry. Your time is up. Thank you very much, assistant deputy minister.

We'll move on now to the official opposition. You have 20 minutes.

Mr. John Yakabuski: Thank you very much, Chair. If I had a little more time, I'd give some of it to the deputy, because to drag him up for that little bit of time—I don't understand that.

I'm going to ask a question directly one more time, and then I'm going to give the rest of the time to my colleague Mr. Smith.

We're back on these contracts, Deputy. I think you were the last one to comment. I'm not asking for the name of the generator. I'm not asking for anything that should be protected by contractual law or anything like that. The minister said they're all treated the same, so give us the picture. Would you provide to the committee in writing, in a form that indicates what the contracts are, so that we know how much is being paid when the generators aren't producing power or when they put the blades in neutral or whatever and we're not getting anything out of the wind that's going by—what kind of deals you've made, so the people of Ontario have an understanding of whether or not you've made a good deal?

If you want to talk about transparency, that's exactly what transparency is about: not hiding things from the public, but giving the people some kind of a disclosure as

to what kind of deals you've entered into on their behalf, what they're paying for. That's what I'm asking for. Will you provide those details to the committee so that we can make our own judgment and the people can have that information? Can you do that?

Mr. Serge Imbrogno: The contracts between the IESO and the generators are commercial contracts. They're not disclosed for commercial reasons. So I can't provide you with contracts that are commercial. If—

Mr. John Yakabuski: I don't want the details of any single contract.

Mr. Serge Imbrogno: If they are public, the IESO would have posted them on their website. To the extent that they contain confidential information, they're not posted and they're not available because they're commercial. I don't think you would expect us to put forward commercial contracts.

Mr. John Yakabuski: I would expect the public to know what they're paying when we're not getting any power. When we're paying something for nothing, the public, in my opinion, has a right to know that.

Mr. Serge Imbrogno: If the IESO provides full detail—

Mr. John Yakabuski: I shouldn't be directing that to you, Deputy; I should be directing it to the minister.

That's just unacceptable, that you would pay for something, get nothing and then not disclose—in general, not what you paid to generator XYZ over a prescribed period of time or whatever but what we are generally paying for that, because the public needs to know if they're buying electricity or if they're buying nothing.

Mr. Serge Imbrogno: The IESO fully discloses all of the costs through the global adjustment. They do it by wind; they do it by solar; they do it by gas; they do it by other sources. So that's all publicly available.

Mr. John Yakabuski: Let it be known that the minister refuses to provide that record. Thank you very much. I'll pass on to Mr. Smith.

Mr. Bob Delaney: Chair, just on a point of order.

Mr. John Yakabuski: There is no point of order.

Mr. Bob Delaney: The member can find that at ieso.ca.

The Chair (Ms. Cheri DiNovo): That's not a point of order. We move on to Mr. Smith.

Mr. Todd Smith: Thank you. Minister, would you say that—and going back to the Hydro One sale here now—it's more cost-effective to service a high-density area than it is a low-density area in Ontario?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: In terms of transmission, there's a single cost across all of Ontario. In terms of distribution, the costs of distribution vary if you're in a rural area. Distribution costs are larger, and those are reflected in rates. If you're in an urban area, distribution costs tend to be less because it costs less to service those customers.

There is a program called the Rural or Remote—

Mr. Todd Smith: What is it called? Sorry?

Mr. Todd Smith: The RRRP program attempts to try and equalize some of the differences between urban and rural. That's about a \$127-million program that's currently in place and used to try and reduce some distribution rates for rural customers.

Mr. Todd Smith: So when it comes to your consolidation strategy—and we've seen some of those deals taking place, like the Brampton Hydro deal, but there are others. You're encouraging consolidation across the province but it's most likely—would you not say?—that those consolidations will only occur in high- or maybe even some medium-density areas. Why would low-density areas be considered as attractive in any kind of consolidation?

Hon. Bob Chiarelli: Consolidation can also occur among rural areas. That's not necessarily limited to urban areas. Some of the consolidations, I believe, have included rural areas. I can tell you that we have a pretty good dialogue and working relationship with our stakeholders, including municipal LDCs. There has been a lot of discussion among them. You've probably heard the chatter yourself about rural and/or suburban LDCs musing about either selling their utility or selling part of the utility, getting the money and using it for infrastructure while using that as an endowment from which they can get revenue to provide infrastructure. There have been some consolidations in the rural areas, and one of the things that they continually asked for was some relief on the tax—the departure tax, and there's another tax that applies to them—because they felt that that put them in a situation where it wasn't that cost-effective for them to amalgamate.

Since we've amended the tax legislation for a period of three years, we know that the amount of discussions that have been going across the whole LDC sector, including rural, suburban and urban, is very, very significant and that there are serious discussions which are ensuing because of that because they see that as an opportunity.

I don't know, Deputy, if you want to add to that.
1730

Mr. Serge Imbrogno: I think the government has said they are looking for voluntary consolidation. That doesn't mean you have to sell your MEU. You can merge your MEU. You can share back office functions. I think there are opportunities for all LDCs to find ways to reduce costs. They don't necessarily have to sell their MEU to receive that.

I think in a lot of discussions we have with some municipalities, they want to keep their MEU. They don't want to sell, but they do want to find efficiencies. I think there's enough flexibility to achieve efficiencies in a variety of ways.

Mr. Todd Smith: But if we're hearing about proposed consolidations and expansions of certain LDCs, most of what I'm hearing includes the more built-up areas, the suburban areas, areas where there's some high- or medium-density areas that they would be interested in.

They're not necessarily interested in acquiring low-density areas—

Hon. Bob Chiarelli: It's across the province. There's a lot of interest right now in moving forward. I agree with you that there are some, particularly rural communities, that have a particular connection to the utility. They want to preserve it and they want to keep it. That dynamic is there. But there are also rural LDCs who are looking at joining each other or they have working arrangements where they share administrative costs or they're looking to sell a portion of their LDC. There are all kinds of permutations and combinations of that taking place. The rural LDCs are paying a lot of attention to what's happening now.

Mr. Serge Imbrogno: Can I just add to that? I think the changes that the government introduced in terms of eliminating the transfer tax for MEUs under 30,000 has introduced more buyers. I think previous to that there may have been limited buyers, so a municipality may not have had a lot of opportunities to have different buyers, but with that change it introduces more players so there's more of an opportunity.

Hon. Bob Chiarelli: Just to be clear: for utilities that have under 30,000 customers, the tax is completely eliminated. For the others, it's significantly reduced.

Mr. Todd Smith: So do rural Hydro One customers have anything to fear right now about their electricity rates rising if the more profitable sections of Hydro One become part of some kind of a consolidation that occurs around a more urban area? Is it not going to cost more for Hydro One to service those rural customers, driving up electricity prices?

Hon. Bob Chiarelli: Any rural customer is a customer of a distribution company. Okay? So there are rural LDCs who—nobody can force them to amalgamate. We're not forcing them to amalgamate. Nobody can come and beat them over the head and apply any leverage to them in any way, shape or form that would force them or cause them to want to sell. They're 100% in control of their own destiny in terms of whether they want to stay a sole LDC with the present size and configuration. They have an absolute right to do that. Nobody can do otherwise. I can tell you that there will be people knocking on their doors, not bribing them as you suggest for renewables—

Mr. Todd Smith: No, because we know that's going on with renewables.

Hon. Bob Chiarelli: They will just say, "You know what? We're prepared to buy it. How can you turn this deal down?" You know what? They can turn it down.

Mr. Serge Imbrogno: I would just add to that that for any of these mergers you would have to get the approval of the OEB. They would apply their "no harm" test. They would ensure, if there's a transaction, that the rural customer in that LDC wouldn't be made any worse off—likely be made better off.

Mr. Todd Smith: But they're responsible, though, to act in the best interests of covering the costs of the company, and if it's costing more money to service those

customers, then the price will increase for Hydro One customers.

Mr. Serge Imbrogno: If that's the result of a merger, then the OEB wouldn't allow that to happen. The OEB is there to ensure that doesn't happen, and that's why you have to go to the OEB to get approval for these mergers.

Mr. Todd Smith: But the cost to service those customers is going to increase. Right? The cost to service those customers is going to increase for Hydro One, and 95% or so, or the vast majority of rural customers, are serviced by Hydro One. Correct?

Hon. Bob Chiarelli: Well, they're going to be subject to the Ontario Energy Board. The new Hydro One has to go to the Ontario Energy Board and have their costs approved.

Mr. Todd Smith: No, I realize that, but it's—

Hon. Bob Chiarelli: Are you talking about rural customers of Hydro One or non-Hydro One LDCs?

Mr. Todd Smith: I'm talking about rural Hydro One customers.

Hon. Bob Chiarelli: So what's the question? Will the rates go up?

Mr. Todd Smith: Let's move on to another subject.

The valuation of the first sell-off of shares at Hydro One is \$9 billion. That's what Ed Clark has always insisted: that they are going to receive \$9 billion. I mean, it's not secret. I can see legal counsel is shuddering, but it's been out there that we're looking at receiving \$9 billion from the sale of Hydro One, right? Sorry, not from the initial sale, from the entire—sorry, sorry, sorry. That's why you were moving; that's why you were fidgeting.

Mr. John Yakabuski: The 60% sale.

Mr. Todd Smith: Right, the 60% sale is \$9 billion, correct?

Ms. Sharon Geraghty: The only thing I'll say again—you correctly anticipated the reason I was first leaning forward, and so I'll just lean forward again and caution the minister and deputy that there was a statement by Ed Clark at the time, and I'm not suggesting that you can't answer the question, but be careful, as I've said before, about speculating about the value that the province will obtain in the upcoming tranche or in any future tranches.

Hon. Bob Chiarelli: I did, in my answer to a previous question, the first or I think the second question that we asked from our side—I'll read it to you again without my political premise. It took some time. "As you've just heard"—and I was referring to the remarks of our counsel—"the Trillium Trust provides for the dedication of net proceeds from the sale of qualifying provincial assets"—

The Chair (Ms. Cheri DiNovo): Just a note, Minister: about five minutes left.

Hon. Bob Chiarelli: Sorry?

The Chair (Ms. Cheri DiNovo): You have five minutes left for the—

Hon. Bob Chiarelli: Okay. This will take about a minute and a half here.

“Trillium Trust provides for the dedication of net proceeds from the sale of qualifying provincial assets to fund infrastructure projects that would create jobs”—blah, blah, blah. “The province remains committed to allocating all net revenue gains from broadening the ownership of Hydro One to the Trillium Trust. The province will move forward with amendments to the Trillium Trust Act, 2014, that would, if passed, name the province’s shares in Hydro One as a qualifying asset and ensure that all fiscal benefits from the estimated gain would be directed to the Trillium Trust.”

The next couple of sentences are basically answering your question: “These amendments to the Trillium Trust Act, 2014, would allow all the fiscal benefits to be used for investments in transit, transportation and other priority infrastructure projects.... These amendments will ensure that the province remains on track to deliver approximately \$4 billion to the Trillium Trust and \$5 billion towards debt repayment, as outlined in our 2015 budget.”

Mr. Todd Smith: It says the number one way that that could be off, the money that you’re hoping to achieve from the partial sale of Hydro One, is if the market doesn’t value the shares as high as Mr. Clark thinks or believes, perhaps because of a lull in the markets or anything like that. Have you considered potentially putting off the sale to try to ensure that the markets are ready for this and that you are going to get the maximum from the sale of Hydro One?

Hon. Bob Chiarelli: There are a significant number of advisers—well-experienced, knowledgeable people in the stock market and investments, bankers etc.—who have participated in an analysis. Our conclusion on the basis of this advice is that we’re on track to deliver approximately \$4 billion to the Trillium Trust and \$5 billion to our debt repayments, given the current market situation.

Mr. Todd Smith: So there’s no way you’ll delay the sale?

Hon. Bob Chiarelli: Given the current market situation, we’re proceeding, and the expectation is that \$4 billion will be available for the Trillium Trust and \$5 billion towards debt repayments.

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Mr. Todd Smith: So there’s no way that the government would consider holding off on this sale, considering what the public opinion is? I know you’re hearing it and I know your colleagues are hearing it: that there’s widespread opposition to this sale. There’s no way that you would suspend selling off the first 15% of Hydro One?

Hon. Bob Chiarelli: We’re on track with our plan and we’re going to stay on our plan.

Mr. Todd Smith: And nothing’s going to shake you from that?

Hon. Bob Chiarelli: Based on what I said, you can draw your own conclusions.

Mr. Todd Smith: Well, I think a lot of people are worried that you’re not going to get the revenue or the funds that you’re expecting to get from this sale. The most logical thing to do would be to slow this down

instead of speeding up, heading into this IPO and making a decision that is irreversible. Once Hydro One is sold, Hydro One is sold, and you can’t backtrack after that’s over. Do you not feel that it would be important to slow this down and to consider this more fully?

Hon. Bob Chiarelli: How much time do I have?

The Chair (Ms. Cheri DiNovo): About 50 seconds—40 seconds.

Hon. Bob Chiarelli: I can’t even clear my throat in that time. No, we’re on track to proceed. We understand that there are people and municipalities that have expressed concern about it. Certainly my belief is that they’ve been led to believe—the primary cause for that direction, that political feeling is that, if I can use a quote, “Hydro rates are going to skyrocket” —

The Chair (Ms. Cheri DiNovo): I’m afraid your time is up, Minister.

Hon. Bob Chiarelli: —and that’s just not going to happen with the OEB.

The Chair (Ms. Cheri DiNovo): Thank you. We now move on to the third party. Mr. Tabuns, you have the remaining time.

Mr. Peter Tabuns: Thank you, Chair. I’d like to go back to where I had left off. Minister, you may direct this to your deputy or you may take this question on your own. You’re proposing to change the way the Ontario Energy Board regulates rates for OPG’s nuclear refurbishment at Darlington. I’ve asked because we’ve been told it’s being done to defend against volatility. What kind of volatility are we talking about?

Mr. Serge Imbrogno: As OPG refurbishes, it’ll have less power in the market. The OPG rate would need to recover its costs. What we’re saying is, “You do that. We want you to smooth it out.” So we don’t want a big lumpy increase either at the front or the back end. We prefer—

Mr. Peter Tabuns: And what sort of increases are we talking about that you’re worried about?

Hon. Bob Chiarelli: It’s not a question of increases. It’s a question of when the money and the capital is spent. Let me give you a hypothetical: You could be at a stage of refurbishment when there is more capital going into the refurbishment, and eight or nine months later, there could be a part of the construction, which could be inspections or whatever else, that doesn’t require a significant amount of capital to go in.

We’re saying that the refurbishment period is 12, 13 or 14 years, the capital spending is spiking and that it’s cutting down, etc. Rather than having spiking up and down, etc., it’s simply a request to say, “Look, it’s basically one contract to do these series of things. Don’t let them spike up and down because of the construction fees that are happening.” I don’t know if that captures it.

Mr. Serge Imbrogno: No, it does. Just to be clear, this is the OPG rate; it’s not the overall rate for consumers. OPG is only a small portion of it.

Mr. Peter Tabuns: It’s a big portion of it.

Mr. Serge Imbrogno: For Darlington, it’s just the nuclear rate that the OEB would approve. There’s no

change in the OEB oversight prudence review of all the costs. So it's only after—

Mr. Peter Tabuns: No, I understand that, but it's a different way of determining the rates. Prudence is always something that has to be examined by a regulator, correct?

Mr. Serge Imbrogno: Correct. Yes.

Mr. Peter Tabuns: That isn't going to change, but the cash flow and how that's going to be charged to customers is going to change with what you're proposing. Is that not true?

Mr. Serge Imbrogno: We are proposing a smooth rate recovery as opposed to an unpredictable, volatile rate recovery.

Mr. Peter Tabuns: What's the scale of the volatility that people may be exposed to?

Mr. Serge Imbrogno: After the OPG goes to the regulator, after they've approved their costs, then that would be determined at the time. So it's hard for us to give you—

Mr. Peter Tabuns: Well, just going through the minister: I am assuming you've done some sort of projections on the kind of volatility you're facing before you bring forward a regulation. It wasn't just, it was a slow day at the ministry and people decided to change the regulation because it would look better. You did an economic analysis, did you not?

Hon. Bob Chiarelli: There wasn't an economic analysis done. There was just a construction schedule analysis. It's a very simple principle, and that is, the costs are going up and down depending on the phase of construction. We felt it was reasonable, fair and just and the right thing to do, rather than have it subject to intermittent spikes etc., that it would be best to even it out. It's as simple as that, and—

Mr. Peter Tabuns: How big would those spikes be? Do you have a range? You're talking about volatility.

Hon. Bob Chiarelli: We're not talking about volatility. We're talking about something that is known that's going to happen: that they're going to be spending capital more and less depending on the time and the project etc.—and better to smooth it out.

Mr. Peter Tabuns: A Ministry of Energy spokesperson was quoted, and Queen's Park reporter, as saying—at looking at how to “reduce volatility in OPG's regulated nuclear rates.” I'm assuming that—

Hon. Bob Chiarelli: Spiking.

Mr. Peter Tabuns: So what's a spike? A 1% increase, a 2% increase, a 20% increase?

Hon. Bob Chiarelli: I can't recall the number right now, quite frankly.

Mr. Peter Tabuns: I'm sure someone did the number.

Mr. Serge Imbrogno: I think the number will be once the OEB reviews it. I think whatever that number will be, it will be smoothed out over the period of time.

Mr. Peter Tabuns: Minister, you're bringing forward a regulatory change. You're telling the OEB how to do its work. You're going to change the way rates are set—

Hon. Bob Chiarelli: Sorry; we're asking. We're not telling them. They can say no.

Mr. Peter Tabuns: No. This is a regulatory change, a regulatory amendment.

Hon. Bob Chiarelli: If they think it's reasonable, they will say yes. If they think it's not reasonable, they will say no. We're not telling the OEB what to do.

Mr. Peter Tabuns: Just a second. You write the regulation that the OEB functions within. Are you telling me the OEB exists independently, politically, from you and you can't set the framework they operate within?

Hon. Bob Chiarelli: In their setting of rates, they're independent of us.

Mr. Peter Tabuns: Then why are you bringing forward a regulation? If they're independent, why don't they just do it on their own? Why are you bringing forward a regulatory change?

Mr. Serge Imbrogno: We're not discouraging the OEB from deciding what costs are prudent and what will be passed on to the rate base and what won't be passed on to the rate base. The only thing the regulation does—and we will consult with the OEB; we just don't make a regulation without consulting with all the affected parties—is, what is an appropriate smoothing mechanism? But the costs are still recovered, and those are costs only approved by the OEB. So the fundamental function of the OEB remains.

Mr. Peter Tabuns: My understanding is that the OEB has rejected construction work-in-progress methodology in the past. Why are you changing the situation now?

Hon. Bob Chiarelli: They have the option to do it or not do it. It's a request; full stop.

Mr. Peter Tabuns: A change in regulation is a request in Ontario? Seriously, when you pass a regulation in cabinet, I consider that more than a request.

Mr. Serge Imbrogno: I think what the minister is saying is that the regulation has not been passed. We have said we are moving forward with a regulation. How that regulation finally unfolds will be a decision of the government.

Mr. Peter Tabuns: So are you considering a regulation telling the OEB it has to pass on the tax savings that the new Hydro One will have; that it'll have to pass that on to ratepayers?

Mr. Serge Imbrogno: We're not speculating on that.

Mr. Peter Tabuns: Well, it seems that you're willing to pass regulations changing the rate-setting process and directing the regulator as to the framework they're going to operate within. Why not offer a break to the ratepayers who are going to be dealing with Hydro One?

Mr. Serge Imbrogno: Again, we're not directing the OEB in any way in terms of its review of costs, its prudence review. This is just an opportunity to smooth out rates over a period of time.

1750

Mr. Peter Tabuns: I'll go to another question. I may come back to you on that one.

We've talked for a while about the refurbishment at Darlington, and you, Minister, have talked about off-

ramps. If things are not going well, if things are running way behind schedule or way over budget, you've said that we would have off-ramps that would allow us to stop and move on to something else.

Can you tell us what those off-ramps are? How do they function? How are they a credible deterrent to a management that's not managing properly?

Hon. Bob Chiarelli: I'll ask the deputy to try to explain in a few short minutes what is probably contained in about 75 pages of a very complex agreement. But we'll take a run at it.

Mr. Serge Imbrogno: First, Mr. Tabuns, the OPG is working to ensure that it's going to deliver this project on time and on budget.

Mr. Peter Tabuns: I've heard that with everyone.

Mr. Serge Imbrogno: It is contracting with suppliers, vendors and service agents to ensure that it has appropriate risk mitigation in passing on the risk to the third party. The way we want to structure the refurbishment is as much as we can to unlock the units so that we would start the first unit, and before we start the second unit, we would have to be comfortable that they're proceeding on time and on budget. That gives us flexibility. In the worst case, if something isn't going according to plan, that gives the government the opportunity to look at different options.

Mr. Peter Tabuns: So theoretically, hypothetically, let's say that with reactor one, the construction goes forward; we find that costs are zooming 20% or 30% more than was expected. The calendar is going by at an incredible rate. It's not coming in. What are the triggers that will say to you, "We're not going to proceed with refurbishment of the other three reactors"?

Mr. Serge Imbrogno: I wouldn't want to speculate on what the decision point would be at the time, other than that the government of the day would have the ability to take that information and make a decision.

Mr. Peter Tabuns: Has OPG been made aware of the standards to which it will be held? Generally, when you say to someone, "We're going to stop this contract if you aren't performing," they don't have to guess. They can see—

Hon. Bob Chiarelli: If, in our judgment—

Mr. Peter Tabuns: If, in your judgment—

Hon. Bob Chiarelli: Cabinet. If it's the cabinet's judgment that they're over budget and not on time, we are going to exercise our discretion. We have the opportunity to exercise our discretion—because we will not have started any more units—to not proceed. The most serious consideration and most likely consideration would be a consideration not to proceed. It's our policy now that if they're over budget and over time, the refurbishment would not proceed.

There may be circumstances under which, depending on the extent of it, with some changes, it could be accommodated, but we will have the option to make that decision.

Mr. Peter Tabuns: If you do that—and I'm not trying to discourage you. I think you need to have very

substantial mechanisms to enforce price discipline. So I don't think this is a bad thing for you to do, but what I'm trying to sort out is the credibility of your discipline.

You've said to me that if this is going off track, if it's over budget, behind schedule, if your cabinet determines that this is not a retrievable situation, you won't proceed with the refurbishments of the other reactors. Is that correct?

Hon. Bob Chiarelli: It's our policy at this point.

Mr. Peter Tabuns: Okay.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have about five minutes left.

Mr. Peter Tabuns: I thought we were on good terms, Chair.

Anyway, if that's the case, as you're well aware, you're expecting the power from those refurbished reactors to come back into the system. We may well be facing, then, a deficit of power. What is your plan to ensure that we're not forced into a situation where we have to say, "Look, we can't afford to abandon this refurbishment. We don't have the power. We've got to fill the gap. We've got to proceed"? What's your backup?

Hon. Bob Chiarelli: We have an overriding principle, which is written in black and white in our long-term energy plan, of plan flexibility. There is actually a graph that shows the time frame, where this type of issue could come up and what the flexible alternatives are.

Maybe you could go into some—

Mr. Peter Tabuns: I would appreciate it if you would go into what the alternatives are because, I'll just say again, if someone is running that project, they like receiving the income they're receiving. They turn to you and say, "You don't have the power to replace what's going to be lost." You're stuck. We're stuck.

Mr. Serge Imbrogno: We work with the IESO to make sure that we have plans in place. So it's not that the other units would stop running; they would continue to run. We have potential for—for example, OPG has different facilities that you could convert. As an example, we have Lambton.

The IESO would have contingency plans that they would put in place. They would have time to make those adjustments. We're in discussions with Quebec; we're in discussions with Newfoundland. We would continue to have options.

I think part of the IESO planning is—and they do it all the time—what-if scenarios: "If this doesn't come back, what are our contingency plans?" That would be in place to make sure, as you say, that we do have a credible option to move forward with other plans.

Mr. Peter Tabuns: So you're talking about potentially buying power from Quebec, and from the inertie report, I gather that assumes a commitment to investing in greater transmission capacity. Is that correct?

Hon. Bob Chiarelli: No, no. The least likely option—and we're operating on the basis that we will not be building new infrastructure. There are probably 1,000 megawatts additional or maybe up to 1,500; that would be part of a solution. It wouldn't be the solution.

Mr. Peter Tabuns: Okay. And the other options would be repowering Lambton and Nanticoke?

Hon. Bob Chiarelli: Not in coal. It would be a conversion. We've been successful in converting Atikokan and Thunder Bay Generating Stations to biomass, which is very clean; it's clean energy. We have the option to do that.

I don't know whether they have any other sites—

Mr. Serge Imbrogno: The government has invested a lot in natural gas generation. At this point, it's being used at a low capacity. I know there are greenhouse gas implications, but the IESO has the potential to get more output out of the natural gas facilities that we have in place now as a means to bridge to a different solution.

The system has a lot of flexibility and capacity built into it that gives you time to manage until you find a different solution.

Mr. Peter Tabuns: So you could assure Ontarians that, should it come to pass that refurbishment was out of control and had to be shut down, you have a credible plan for moving us to other sources of energy?

Hon. Bob Chiarelli: The IESO is intimately involved in all of these issues. Their primary function is reliability, and they are planning. You might be aware of the fact that the IESO is moving to very significant change in how we're going to do our procurement. They're already

taking steps towards it. There's a bit of work, and it will be over a period of time—two, three, four, five years—and that is creating what they call a capacity market.

Now, if we do procurement, it could be for renewable, it could be for water or it could be for whatever. Where they're moving now—and I think they're doing some pilot projects on it. Other jurisdictions have already implemented it, so we're not—

Mr. Peter Tabuns: No, I'm familiar with capacity markets and what happened in the UK.

Hon. Bob Chiarelli: So what it basically says is if they need 500 megawatts or 1,000 megawatts, they put out an RFP that will simply say, "We need 1,000 megawatts of power by such and such a date," clean energy, and you come in and give us a proposal on how you're going to do it. So somebody can come in and do a proposal that says it's going to be by renewables; somebody can come in and say it's going to be by gas; someone could do it by conservation even—

The Chair (Ms. Cheri DiNovo): I'm afraid the time is up. Thank you, Minister.

We will adjourn. We're back Tuesday morning on the 20th. Just a reminder to everyone. We have six hours and 26 minutes remaining for the Ministry of Energy. Thank you.

The committee adjourned at 1800.

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Première session, 41^e législature

Official Report of Debates (Hansard)

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATES

Tuesday 20 October 2015

COMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Mardi 20 octobre 2015

The committee met at 0900 in committee room 1.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): Good morning. I warrant everyone has had their requisite two hours' sleep; I know I have. We're back. We are here to resume consideration of the estimates of the Ministry of Energy. There is a total of six hours and 26 minutes remaining.

Before we resume consideration of the estimates of the Ministry of Energy, if there are any inquiries from previous meetings that the ministry or the minister has responses to, perhaps the information can be distributed by the Clerk at the beginning in order to assist the members with any further questions.

Minister, are there any items that you brought—

Hon. Bob Chiarelli: No.

The Chair (Ms. Cheri DiNovo): No? Okay.

When the committee was adjourned on October 7, the third party had the floor, with two minutes and 43 seconds remaining in its rotation. Mr. Tabuns, use it wisely.

Mr. Peter Tabuns: Good morning, Minister.

Hon. Bob Chiarelli: Good morning.

Mr. Peter Tabuns: Good morning, all at that table.

I understand that Hydro One is going to borrow \$800 million in order to give an \$800-million cash dividend to the government. Do we know how the government will spend that \$800 million? Where will it be allocated?

Mr. Serge Imbrogno: I believe the \$800 million would go to pay down debt.

Mr. Peter Tabuns: Are we talking of residual stranded debt or are we talking of stranded debt or are we talking of other parts of the OEFC balance sheet?

Mr. Serge Imbrogno: I would just say at this point: It would be to pay down provincial debt.

Mr. Peter Tabuns: So you don't know the destination for that money.

Mr. Serge Imbrogno: Other than debt, I don't want to say whether it's the stranded debt or provincial debt.

Mr. Peter Tabuns: Okay. I've asked you about the 60-40 debt-to-equity ratio, the capitalization for Hydro One, and you had said to me that the OEB requires 60-40 debt-to-equity. Why has Hydro One in the past not been required to have a 60-40 ratio?

Mr. Serge Imbrogno: The OEB sets its rates on having a 60-40 debt-equity ratio. If you're offside that,

then the OEB doesn't give you more. If you have more equity, for example, they would only give you what they deemed to be the appropriate amount, so your rates are set on the deemed amount.

Mr. Peter Tabuns: Is it expected that equity will be more expensive than debt?

Mr. Serge Imbrogno: Normally, the equity component gets a higher rate of return than the debt component.

Mr. Peter Tabuns: So in this change of the ratio, there will be a higher proportion of funds taken from rate-payers to satisfy the equity holders. Is that correct?

Mr. Serge Imbrogno: No. Hydro One has always had the deemed 60-40, so it continues on. I think what Hydro One is doing going forward is just making sure that they structure themselves to achieve the 60-40. The 60-40 hasn't changed; that has always been in place.

Mr. Peter Tabuns: So in the past, Hydro One hasn't been able to recover the costs of interest payments on debt?

Mr. Serge Imbrogno: No, I think they have. They may have been undercapitalized. They may have had more debt than equity or more equity than debt, so I think they're just moving forward to structure themselves at the exact 60-40.

Mr. Peter Tabuns: What's the advantage to Hydro One of restructuring on a 60-40 basis?

Mr. Serge Imbrogno: I think it just allows them to achieve the maximum that the OEB allows with that debt structure and the equity structure.

Mr. Peter Tabuns: So they haven't been achieving the maximum that has been allowed to date.

Mr. Serge Imbrogno: Either they've been over, and they don't get credit for that, or they've been under. They need to move forward.

The Chair (Ms. Cheri DiNovo): I'm afraid that is all your time.

Mr. Peter Tabuns: Thank you.

The Chair (Ms. Cheri DiNovo): We now move to the government side. Ms. Kiwala?

Ms. Sophie Kiwala: I'm delighted to be here today—it's an historic day, I might add—particularly to chat about connecting First Nations to power. As I understand, there are currently a number of First Nations communities that still rely on diesel to generate their power. There has been significant conversation around the possibility of connecting these First Nations communities to the electricity grid.

As you know, I do have a First Nations reserve right next door to my riding of Kingston and the Islands—Tyendinaga—and we do have a number of issues there that we focus on. I am concerned and I'm also very encouraged by the conversation that this government has had around quite a number of aboriginal issues. It has reverberated in my community of Kingston and the Islands. It's also a topic of conversation in the neighbouring areas to Kingston.

I was recently at a Sisters in Spirit Vigil in Belleville. There were quite a few comments there about how much they appreciate what the provincial government is doing for them.

I'm wondering if you can inform us as to what steps the government has undertaken to connect the remote First Nations communities in northern Ontario to the grid.

Hon. Bob Chiarelli: Certainly. Thank you, MPP Kiwala, for the question and for the interest in First Nation communities. It's something that I think we all share around the table. It certainly is a priority issue for this government.

We've made the connection of remote First Nation communities a priority in our long-term energy plan, and we've been implementing that priority over the course of the last three years. The government recognizes that there are unique challenges associated with supplying remote communities with clean and affordable electricity.

In 2014, the Independent Electricity System Operator's updated analysis shows up to 21 of the 25 remote First Nation communities in northwestern Ontario are economical to connect to the provincial electricity grid, reducing their reliance on dirty diesel generation. Grid access will enable growth and lower costs over the long run.

The IESO's analysis indicates that transmission connection of up to 21 First Nation communities would result in savings relative to continued use of diesel generation in these remote communities over the next 40 years. Savings would accrue to the federal government and provincial ratepayers, who currently subsidize the cost of diesel. This is approximately a billion dollars in avoided costs for the federal government and the province, compared to the status quo of continued diesel over the planning period.

The province is working with the remaining four First Nation communities, those that will not be connected to the grid, to explore alternatives to reduce their dependency on diesel fuel. We'll work also with the federal government and energy partners to support innovative solutions to supply electricity to these more remote communities, if I can put it that way.

The Remote Electrification Readiness Program, or RERP, is a provincial government funding program designed to support remote First Nation communities in developing community readiness plans to benefit from future transmission grid connection projects identified in the long-term energy plan. The 2014-15 budget allocated \$1 million per year for three years toward the program,

and it will be administered by the Ministry of Aboriginal Affairs.

The governments of Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories, the Yukon and Ontario have established a pan-Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities. In addition, Watay Power, which is owned by a group of 20 First Nation communities, recently signed a partnership agreement—basically a public-private partnership—with Fortis-RES, an electricity transmitter. Watay Power can now take the next major step towards connecting remote First Nation communities in Ontario. This was really a transformational event, where we had 20 First Nations entering into a public-private partnership for commercial purposes in order to serve their communities.

Responsibility for electricity service in remote First Nation communities is shared between the province and the federal government. A fair cost-sharing agreement is critical to implementing the grid connection project. We are committed to working with our federal counterparts to make this project a reality. I might add that, given the fact that the federal government will be saving approximately \$500 million, we still have no commitment—or we've had no commitment from the outgoing government, at least—to participate in any investments whatever towards bringing these remote communities into the grid.

At this point, I'd like to ask Deputy Minister Imbrogno and ADM Michael Reid from the strategic, network and agency policy division to expand further on these points.

0910

Mr. Serge Imbrogno: Thank you, Minister. I just would add a bit to what the minister said in terms of the remote First Nation connections.

There are 25 remote First Nations; 21 of them we believe we can connect economically through the grid. There are also four that we think aren't economic to connect through the grid, but we're working on on-site solutions for the other four First Nations. We think there are environmental benefits, economic benefits and social benefits to moving forward with this initiative.

Just a bit of expansion on working with the federal government: We've set up a deputy ministers' committee with aboriginal affairs from the federal government, and NRCAN as well. We have a deputies' working group that's been trying to work through the economics of what it means to the federal government, what cost savings are in place for them, what cost savings are in place for Ontario, and how we can move forward together to make this initiative work.

Michael is part of an ADMs' working group that has been really digging deeper into the numbers and trying to get the feds to provide some commitments, so maybe I'll let Michael give you a bit more detail on the report that was done on the connecting and a bit of an update on where we are with the federal government.

Mr. Michael Reid: Thank you. Good morning. I'm Michael Reid from the strategic, network and agency policy division at the Ministry of Energy.

Remote connections is something that the government and the ministry care deeply about and have put a lot of time and effort into over the last couple of years. I'd just like to expand on some of the points that the minister and the deputy made, by way of a bit of background.

The 2010 LTAP, or long-term energy plan, declared remote community connections a priority, and that led to the government asking the then-Ontario Power Authority, which is now the Independent Electricity System Operator, to undertake a business case, essentially, of remote community connections. The IESO/OPA did that business case, unpacked that a little bit. It's what led to the 2013 LTAP commitment to moving forward with the transmission connection of 21 remote communities.

Just by way of a bit of facts as well about the remote communities in Ontario: As the minister and the deputy have mentioned, there are 25 remote communities in Ontario. These are communities that aren't connected up to the provincial transmission system and that rely on local diesel generation for their electricity production. There's a total combined on-reserve population of about 15,000 in these 25 communities, and their peak electricity demand is about 20 megawatts, just to give you a sense of the size.

In terms of diesel consumption, these communities use about 30 million litres of diesel per year to generate electricity. There are all sorts of issues associated with that diesel, from the environmental issues through emissions as well as spills. Just getting the diesel into these remote locations as well is complex and costly, in that these communities are largely only accessible either through winter roads or by air. About 70% of the diesel, for example, has to be flown in. So again, it's complex and costly to get the fuel up to these communities. And just by way of the cost of generating the electricity, it's about 10 times the cost in these communities that it is in the rest of the province.

As I mentioned, following the 2010 long-term energy plan, the government asked the Ontario Power Authority to undertake a business case of what was possible with respect to the connection of these remote communities. The IESO did that business case and they found that in 21 of the 25 remote communities it made economic sense to connect them up via the transmission grid, which I'll talk about in a little bit more detail. With the other four communities, although transmission connection was not deemed to be economic, the IESO recommended pursuing microgrids and alternative options to help reduce diesel use in these communities as well. Again, I can talk a little bit more about that.

In terms of undertaking this business case analysis, the IESO did consider a variety of options, and that included renewables and local microgrids as well as transmission connection. They posted their initial report in 2012, and it was shared with communities and engaged in consultation with communities as well. It was updated with the

final report in August 2014, which solidified the conclusion that there were significant savings associated with the transmission connection of the 21 communities.

In terms of some of the high-level details or interesting points of the IESO's analysis—transmission versus diesel—I've already mentioned some of the high costs and complicated factors of getting diesel into communities. Transmission takes away all of that. It's just a lot more certain over a longer time period. They looked at a business case over a 40-year period, in terms of being able to supply power through the grid, and not subject to factors such as global oil prices, which do drive the cost of diesel around, as well as weather and other things that make it complicated to get diesel in there.

As well, grid connection would enable these communities to unlock some of their economic and also social potential. For example, a lot of the diesel systems are very constrained. You do hear stories about new housing stock being built in these communities and that you can't actually connect up to the existing—there's just not enough power to hook up new houses. Transmission connection will allow communities to take advantage of things like the new housing stock as well as local economic development opportunities. It will also, as a co-benefit, help unlock, in the Far North, natural resources, which could lead to private investment as well as other opportunities for the local First Nation communities.

The deputy and the minister have also mentioned the fact that this business case is a positive business case and does lead to significant savings for both the province and the federal government over this 40-year time frame. It's roughly a billion-dollar savings that the IESO has calculated. That is shared between the province and the federal government. In these remote communities, the federal government is responsible for a lot of the direct diesel costs.

Just by way of a bit more detail, there are two different types of rural communities as well. It's roughly a 50-50 split with the 25 communities. Roughly half of them are currently served by Hydro One remotes, so they are subject to OEB regulation, and it looks very similar to what things would look like in any other local distribution company across the province. The other half are what are called independent power authorities, or IPAs. It's roughly 10 communities. These communities are the direct responsibility of the federal government. Not only are they not grid-connected, but there are also no regulatory or other touch points with these communities in terms of the delivery of power.

This cost-sharing, as the deputy has mentioned—there has been significant work done with the federal government over the last couple of years to make sure they're well aware of this positive business case that the IESO has developed and also to try to get them to the table to recognize these costs and become co-sponsors of this project and contribute their fair share in accordance to the cost savings that would accrue to them. It has been a long time talking with them, and it has been difficult to get actual costs out of them, but we are continuing on with that work.

The Chair (Ms. Cheri DiNovo): Mr. Reid, you have about five minutes left.

Mr. Michael Reid: Okay.

In terms of just a little bit about the remote community connection project, it's an about \$1.3-billion total transmission build-out, which would be a very significant new build-out for the province, and there are a couple of different components of that. The first component is some reinforcement of the existing transmission system, so, roughly, from the Dryden to Pickle Lake area. There are other local reinforcements that would need to be done in the Dryden and Red Lake area, and then there is the significant build-out of taking from the current transmission grid up to remote communities to build both new transmission and distribution infrastructure for those projects.

The minister has mentioned that Watay Power is a consortium of 20 First Nations, as well as a recently announced transmission partner in Fortis-RES, who are making significant progress in terms of moving this project forward. They have an improved environmental terms of reference, for example, and they're applying for a transmission licence right now with the Ontario Energy Board. So it's definitely continuing to move the markers and a very-good-news story, we think, in terms of very significant First Nations ownership and stake in that particular partnership.

0920

In terms of some of the work with the federal government that we've mentioned, we're also working with our colleagues in other provinces, because remote communities are not a uniquely Ontario problem. In fact, there are nearly 300 off-grid communities across the country, with roughly 200,000 people living in these communities—largely aboriginal, but it's a mixture of both aboriginal and non-aboriginal.

We realize that there are lessons to be learned in terms of some of the specific projects that are under way in other provinces. That has led to the establishment of what is called a pan-Canadian task force on remote communities. The task force will be chaired by Manitoba, but we've been keenly involved with them in terms of spearheading this particular effort. They have recently sent out a letter to all provinces and territories, asking them to become part of this pan-Canadian task force.

The key things that this task force would do are largely sharing of information across the country and working together to develop consistent approaches to getting off-grid communities connected, as well as consistent approaches with the federal government, because all other provinces and territories, I think it's fair to say, are experiencing the same difficulties that we have in terms of engagement with the federal government.

This task force will aim to prepare a joint report amongst all participants that will outline some of these experiences and maybe some of the things that worked, and look into communities, as well, to understand what works in communities in terms of moving these projects forward and identifying other opportunities for collaboration.

The last thing that I would mention is focused a lot on the transmission connection. It is a very significant project that we're devoting a lot of time and resources to, but, as I mentioned, there are four remote communities for which transmission connection wasn't identified as a viable economic opportunity. Those communities are Whitesand, Gull Bay, Fort Severn and Weenusk. The ministry's and province's remote strategy is also making sure that we are working with those four communities to identify what makes sense in their areas to help displace diesel use. That's both the ministry as well as the IESO doing that work.

For example, with Whitesand, the ministry has been working with them over the past year or so on a fairly interesting biomass project that could have significant benefits for the community, both in the sense of displacing diesel power but also the potential for a lot of economic development and job opportunities—a lot of social co-benefits. I think that's one example where we're trying to move forward with these four communities.

Some of the other things that are going on with these four communities: For example, for the Fort Severn First Nation, there has been a recent announcement through the Northern Ontario Heritage Fund Corporation—

The Chair (Ms. Cheri DiNovo): I'm sorry, Mr. Reid. Your time is up. Thank you.

We now move to the official opposition: Mr. Smith.

Mr. Todd Smith: Thank you, Chair, and good morning, Minister. I hope you had a nice week off—and the deputy minister and counsel as well.

Hon. Bob Chiarelli: The best part of it was last night.

Mr. Todd Smith: Yes, the Blue Jays win. You're right.

Last week, we of course learned that electricity prices are going to go up again in the province of Ontario, as of November 1, just in time for the winter months. I'm not going to start there; I think we'll actually start with a few loose ends that I wanted to wrap up from when we last met.

One of those issues that we were dealing with: Mr. Yakabuski was asking you some questions about managing the grid when the wind producers are producing more power than we need, and maybe adjusting the amount of power that nuclear and hydro are putting on to the grid to make up for those fluctuations. Mr. Imbrogno said that—this is from last week or two weeks ago—“The IESO, in managing the system when there is surplus generation, would take into account whatever payments they would have to make to Bruce Power”—in this case—“to manoeuvre the system.”

I know when I've been at Bruce Power and speaking to the folks there, they were talking about the fact that often they have to keep an eye on what's happening across the province and reduce the amount of power they're producing at Bruce. We were talking about, at that time—two Wednesdays ago, I guess it was—the cost to the system of doing that.

I don't know, Minister or Deputy Minister, if you could tell us how much that is actually costing the rate-payers of Ontario to make those kinds of adjustments?

Hon. Bob Chiarelli: If I can just give a bit of background and then I'll turn it over to the deputy. The mandate in the operations of the IESO, the Independent Electricity System Operator, is often misunderstood. A significant part of their mandate is to match—they have to deal with the demand that's there. Therefore, they are in a position in their control room, in real time, where they're monitoring the exact amount of generation that's coming from every generator in the province. They're monitoring the interties where electricity is being bought and sold into the various jurisdictions, and they're monitoring the demand. They have very, very complex algorithms where they predict how much demand there will be, but there are often circumstances which change that demand; for example, an ice storm. They're required to keep in balance—the way I explained it is the whole electricity system is like a thin hose, and if you put too much in, it will explode or burst; if you don't put enough in, it will collapse.

So they have to match the generation that's there to the demand on a minute-by-minute basis, and they have absolute authority—their operators in the control room—to tell a generator to ramp up or ramp down or to tell large consumers, such as the LDCs or automobile companies, to ramp down or ramp up. This is part of the system where that going up and down is happening all the time. It's like trying to conduct an orchestra in a sense, to make sure that there's exactly the right amount of power in all of the wires across the province. So they will give directions to a nuclear plant to ramp up or ramp down to meet this demand.

Mr. Todd Smith: Some of those musicians, though, are making more than others in this orchestra; in other words, some of them are costing more to produce electricity than others. What's happening is, when the wind is blowing, would you not agree that that is a more expensive way of producing power than when the nuclear plant is just humming along?

Hon. Bob Chiarelli: The critical time is peak period when you've got the maximum demand where, in effect, that's when they're using, by design, the most expensive last. They manage the system in that particular way. So if you're looking at peak period in the middle of summer, they're ramping up the nuclear, they're ramping up the gas plants, they're ramping up the water power—they're doing it all, and they're using as much wind and solar as they can to meet that peak. Yes, they actually try to balance the most expensive being used to be used the least. That's part of the system management.

I just wanted to give an overview of that before I turn it over to the deputy.

Mr. Serge Imbrogno: Just building on what the minister said, actually manoeuvring at Bruce is quite an accomplishment because normally nuclear plants just run 24/7, but Bruce has managed to provide some innovation into what it does, and it allows the IESO more flexibility to actually manoeuvre Bruce as well.

I think it adds to the flexibility of the system. The IESO has the tools that the minister mentioned. They can

dispatch wind on or off, as necessary, they can manoeuvre Bruce on or off as necessary; to manage the load as it changes over the day and the hour. It's an added flexibility, the manoeuvring that we get from Bruce, and it's part of the tools that the IESO uses to minimize the cost. Imports as well: When it's economic to import, the IESO will take that into account as well. So it is a menu of different options that the IESO uses to manage the load and minimize the cost.

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Mr. Todd Smith: But there are many occasions when steam is just being let go from a nuclear plant back into the community, or water is spilling over Niagara Falls or Beck. I believe when we met last time you said that those producers, while they are manoeuvring, are still paid even when they're not producing power. Is that not correct?

Mr. Serge Imbrogno: I think the IESO builds a system to manage at peak plus reserve. At times during the day, the system doesn't need all that power—I think that's just part of the way the system works—so they'll have to manoeuvre to manage the load. We don't build the system to produce enough power to export; we build enough to make sure that we have enough to meet our peak demand. But at times during the day or the week, we have more of that power than we need because we've kind of built the system to have excess. That's when the IESO takes steps to minimize whatever the cost to the system is of manoeuvring the plants.

Mr. Todd Smith: What is that cost to manoeuvre the Bruce Power plant?

Mr. Serge Imbrogno: I think it's part of the cost that is part of the contract that IESO has with Bruce Power. It's all part of those payments that go to Bruce.

Hon. Bob Chiarelli: I think last year it was \$350 million that was recouped by using some of that surplus power that was in process and generation. They decided, because of balancing the system, that they had to cut down on the amount of generation. Instead of just cutting down on the amount of generation and losing that money, they actually export it. Sometimes they export it at profit and sometimes they export it at a loss. You always see in the newspaper when they're exporting at a loss; you never see when they're exporting at a profit.

Last year, 2014, my understanding is that there was about \$350 million of power that was recouped through that process to reduce costs in the system.

Mr. Todd Smith: Is that a fact? Is that a number?

Mr. Serge Imbrogno: It was over \$300 million. We have the sunk costs of the system. When you can run and get money from the export market, it reduces your existing costs. I think it's in the \$320-million range—

Interjection.

Hon. Bob Chiarelli: It's \$320 million.

Mr. Todd Smith: Can we have those documents presented? Are those on the IESO website? Where would we find that?

Mr. Serge Imbrogno: I think the IESO has made that public. We can find that figure for you in the public domain.

Mr. Todd Smith: Yes. Can we make a note of that, that you'll provide that to the Clerk? That would be appreciated.

Okay. Let's move on. How much time do I have left? Quite a bit, I assume.

The Chair (Ms. Cheri DiNovo): You've got just over 10 minutes.

Mr. Todd Smith: I know Mr. Tabuns has asked numerous questions about the \$2.6-billion departure tax. I just want to go back to there. Maybe let's start by reminding us of what the OEFC is responsible for, briefly.

Mr. Serge Imbrogno: The OEFC was really the continuation of the old Ontario Hydro, so it was part of the 1999 restructuring of Ontario Hydro. All the hydro assets were divided. Transmission and distribution went to Hydro One; the generation assets went to OPG; and we created the IESO at the time to run the system. There was ESA that was set up, the Electrical Safety Authority. Then all the debt and liabilities of the old Ontario Hydro remained with the Ontario Electricity Financial Corp.

Mr. Todd Smith: What is that number? What is the number that we have remaining, the debt number?

Mr. Serge Imbrogno: At the time, the total debt and liabilities were in the \$30-billion range. I'd have to give you the update from the OEFC of where we are. It's lower but—

Mr. Todd Smith: It's \$26 billion or in that range.

Mr. Serge Imbrogno: Or \$27 billion, in that range, the total debt and liabilities.

Mr. Todd Smith: So that's \$26 billion that remains. The purpose of the sell-off of Hydro One, or broadening of ownership of Hydro One, as the Premier likes to say, is to raise \$9 billion in this 60% sell-off. You've said on numerous occasions, Minister, that \$5 billion of that is to pay off the hydro debt, right? Is that correct?

Hon. Bob Chiarelli: I think it was to pay off debt. I'll leave it up to the deputy to decide which debt it is actually applied to.

Mr. Todd Smith: Okay.

Hon. Bob Chiarelli: The debt of the province in one form or another.

Mr. Todd Smith: The debt of the province?

Mr. Serge Imbrogno: As part of the initial restructuring, there was a debt-for-equity swap between the province and the OEFC. The province assumed a portion of the debt in exchange for the equity, so the province would pay off that portion of the debt from selling off a portion of Hydro One. It's back-to-back debt with OEFC, if I could describe it that way.

Mr. Todd Smith: Okay. So the \$2.6-billion departure tax is going to be paid to the OEFC to settle what's owing from Hydro One, right?

Mr. Serge Imbrogno: I wouldn't characterize it as what's owing from Hydro One. I think it's part of the Income Tax Act. When you leave the payments-in-lieu regime, then you become taxable under the Income Tax Act. There's a calculation of departure tax. It's not just Hydro One. Any corporation that's in the same situation

that's leaving the PIL regime, there would be a calculation of a departure tax. The departure tax depends on the individual corporation so it would vary.

The Minister of Finance made a determination of what that would be for Hydro One, and that payment would be made to the OEFC as it does with any of the payments in lieu of taxes it currently makes.

Mr. Todd Smith: With the OEFC, I just want to make sure that I understand. The \$5 billion to pay down the debt will go to the OEFC, right? Will the \$5 billion that we're talking about from the sale of Hydro One go to the OEFC?

Mr. Serge Imbrogno: Well, it would reduce the provincial obligation to the OEFC. So it's part of the province's debt reduction, but it's related to the debt it owes to the OEFC.

Mr. Todd Smith: So the \$5 billion won't be coming necessarily out of the hydro debt. There's \$5 billion that's owed there right now. So really the \$26-billion or \$27-billion number, that's not going to change?

Mr. Serge Imbrogno: Well, I don't want to get into all the finance—how the finance will work things, but I believe some of that would be a reduction in the total debt of the OEFC as you're paying down some of that back-to-back debt.

Mr. Todd Smith: So there's no way to know how much that \$26-billion or \$27-billion number is going to change as a result of this—

Mr. Serge Imbrogno: I don't want to speculate on how finance will actually complete the books. I don't want to go too far and say it will be one for one, but there's an existing amount owed from the province to the OEFC and this would reduce that obligation.

Mr. Todd Smith: So the number under—sorry, it's a line item under assets called “due from the province of Ontario,” and it's \$4.9 billion—

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have about five minutes left.

Mr. Todd Smith: Thank you.

So \$5 billion is the goal from the sale that's not going to the infrastructure projects that the government has planned. So while they hope to raise \$9 billion, \$5 billion of it is supposed to go to pay down the debt at Hydro One, but there's a line item that says this money is already due from the province, so we don't really know if—that's not included in the debt is what I'm saying. Would it be fair to say that the debt that Hydro One has left is actually closer to \$31 billion when you factor in this \$4.9-billion line item that's there?

Mr. Serge Imbrogno: I think that's a payable due from the province to OEFC. I believe that's the electricity sector dedicated income. So what the province does is, it dedicates in one form or another all the income it gets from Hydro One and OPG towards OEFC. So part of it is a \$520-million payment we make on the debt-for-equity swap plus anything above the \$520 million on the net income is dedicated to the OEFC. So the province could pay that down, that payable from the province to the OEFC. It could also pay down any back-to-back debt that

it has. I just don't know exactly what's left in terms of the initial debt-for-equity swap versus how much is in this payable.

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Mr. Todd Smith: So how in the world do we ever expect to pay down that \$26 billion that's there?

Mr. Serge Imbrogno: Not to get into too much technicality, there is total debt, but part of that is that there have been loans made from the OEFC to OPG. OPG, unlike Hydro One, doesn't borrow in the capital markets; it borrows from the OEFC. That additional debt is backed by assets at OPG, so it's not part of the stranded debt. Even though OEFC's debt hasn't reduced by as much as the stranded debt, that's because we've added borrowing from OPG through the OEFC. It's almost like the banker to OPG.

Mr. Todd Smith: Isn't the OEFC, though, just supposed to be paying down the debt? Why is it lending money to the province?

Mr. Serge Imbrogno: Part of its objects allows it to lend money to the successor companies. Hydro One was able to go into the market and borrow. OPG at the time wasn't able to borrow into the market, so they borrowed from the OEFC.

Mr. Todd Smith: Okay. Over the last week, we've had—I don't know exactly what you can say, but the final prospectus came out. You're looking at initial share prices of \$19 to \$21 per share, which would bring, for the first 15% segment or tranche of the sale of Hydro One—if those numbers are legitimate numbers and that's what we can expect, we're talking about raising \$1.7 billion in the first tranche of the sale. If you multiply that over the next three sell-offs, if those numbers hold true, are we talking about \$6.8 billion—I see that counsel is ready to answer. Are we talking about \$6.8 billion, or where does the \$9 billion come from?

Ms. Sharon Geraghty: It won't surprise you; I'm just going to say it again. We're in the quiet period, and so the references to that price spread in that prospectus are part of the pricing process, the marketing process. It would be inappropriate for the minister or the deputy to speculate either as to what the value of the company will be at this time or at future times. Obviously, they're going to respond to your question, but I just wanted to mention again that we have to be very cautious and they really cannot be speculating about the value of the company.

Hon. Bob Chiarelli: I think it would be fair to say that our financial advisers are telling us that we're still on target to meet the \$9 billion that was referred to in the prospectus. I don't think we should go beyond that.

Mr. Todd Smith: There are no guarantees. This is the open market, and there are no guarantees.

Hon. Bob Chiarelli: It could go up.

Mr. Todd Smith: It could go up. It could go down. It could, right? There are a lot of variables at work here. I know we have to tread lightly there, so—

The Chair (Ms. Cheri DiNovo): Mr. Smith, your time is up.

Mr. Todd Smith: Oh, I guess I won't move on.

The Chair (Ms. Cheri DiNovo): We now move on to the third party. Mr. Tabuns?

Mr. Peter Tabuns: Thank you, Chair. Just a question for the deputy minister first, because I'm not sure I heard a statement correctly: Did you just say a few minutes ago that OPG borrowing increases the stranded debt, or did I mishear you?

Mr. Serge Imbrogno: It increases the total debt, but it's not stranded because it has an asset. It lends, but it has an asset in OPG.

Mr. Peter Tabuns: Okay. Thank you.

On October 10, a government backgrounder said, "The province remains on track to dedicate approximately \$4 billion to the Trillium Trust and \$5 billion towards debt repayments, as outlined at the time of the 2015 budget." The same backgrounder said that these dedications would include a \$2.2-billion one-time fiscal gain from an enhanced, deferred tax benefit resulting from the revaluation of its fixed asset. Am I to understand that the \$4-billion total includes this \$2.2 billion, or should the backgrounder have said that the government is now on track to dedicate a total of \$6.2 billion to the Trillium Trust?

Mr. Serge Imbrogno: No, the \$4 billion would include the \$2.2 billion.

Mr. Peter Tabuns: Okay. Mr. Imbrogno, you previously said that the \$2.6-billion transaction from the Ontario Financing Authority to Hydro One and then on to the OEFC would be cash neutral and fiscally neutral. Was this not correct?

Mr. Serge Imbrogno: Yes.

Mr. Peter Tabuns: So we're recycling the cash. It goes from our working capital to Hydro One. Hydro One pays it to the OEFC. I'm assuming the OEFC isn't paying off debts because, if I understand you correctly, the cash comes back to the Ontario Financing Authority. Is that correct?

Mr. Serge Imbrogno: That's correct.

Mr. Peter Tabuns: Okay. In other words, this \$2.6 billion in cash, including this \$2.2 billion that's going to be dedicated to the Trillium Trust, is already sitting there in the government's treasury, regardless of what accounting has done. There is no new cash coming in or going out. Is that not correct?

Mr. Serge Imbrogno: The Ontario Financing Authority would have working capital cash on hand, so that would be part of their normal course.

Mr. Peter Tabuns: So they're not borrowing?

Mr. Serge Imbrogno: No, they're not doing additional borrowing.

Mr. Peter Tabuns: And that working capital doesn't need to be replenished because the money is coming straight back into it, correct?

Mr. Serge Imbrogno: You can see it almost as an instantaneous transaction.

Mr. Peter Tabuns: Yes. It's a circle: Ontario Financing Authority, Hydro One, OEFC, back to the Ontario Financing Authority. Correct?

Mr. Serge Imbrogno: In effect, but it allows Hydro One to maintain its capital structure, so it has a purpose.

Mr. Peter Tabuns: No, I'm following the circle.

If the government is putting \$2.2 billion resulting from this paper transaction into the Trillium Trust, is it not simply dedicating existing cash that's already in the treasury? Is this not correct?

Ms. Sharon Geraghty: Again, these are two different transactions that we're talking about. The \$2.6-billion payment of the departure tax, which is funded by a \$2.6-billion contribution into the equity, is one thing. The \$2.2 billion, which is an estimate based on the pro formas in the prospectus, is an estimate of a gain that would be ultimately a fiscal gain to the province. They both relate to the fact that the company is leaving the PILs regime, but they are not the same thing. So the \$2.2 billion is separate from that. It's a calculation of a deferred tax asset. It's actually the change in the deferred tax balance in the Hydro One books that will occur if the transaction proceeds. It is a different amount of money; it's not the \$2.6 billion. I just wanted to make sure that was clear.

Mr. Peter Tabuns: Well, if the \$2.6 billion didn't hitchhike its way through Hydro One, then Hydro One's capital structure would be different. It would actually have to take money out of its bank accounts and pay it to the OEFC, correct? I've been told before that if the money didn't go to Hydro One, it would affect its credit rating and its capital.

Ms. Sharon Geraghty: All I am saying is that whether the \$2.6 billion were funded the way it is or not, the estimated change in the deferred tax balance would still happen. It is not dependent upon the way in which the \$2.6 billion is being funded.

Mr. Peter Tabuns: But if the money didn't go into Hydro One, Hydro One would have to pay \$2.6 billion to the OEFC in its departure, correct? And it wouldn't be refunded by the province of Ontario.

Ms. Sharon Geraghty: If the \$2.6 billion weren't funded this way, it wouldn't be funded this way. I'm simply saying that the \$2.2-billion estimated amount, or the change in the deferred tax balance, would occur regardless.

Mr. Peter Tabuns: If, in fact, there was no action on the part of the treasury, the value of Hydro One would be reduced by \$2.6 billion, correct?

Mr. Serge Imbrogno: I think Hydro One would have an obligation to pay the departure tax, so it would make a \$2.6-billion payment.

Mr. Peter Tabuns: Right. So whatever the value of the corporation was before it paid the departure tax, \$2.6 billion would be a reduction in that value.

Ms. Sharon Geraghty: If I'm taking your hypothetical, if the province did not fund the \$2.6 billion, then the \$2.6 billion would be received by the province. I don't know the fiscal results of what that would be, but it wouldn't be offset by the contribution of equity. The province's plan is to make a \$2.6-billion contribution of equity which will ultimately affect the offering—I agree with you—but if we're actually reversing that, if you

hadn't done that, there would be a different impact, I presume, fiscally. That's over two—
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Mr. Serge Imbrogno: I think if you just ended it there, the province would have—because we consolidate OEFC and Hydro One—a \$2.6-billion reduction at Hydro One and a \$2.6-billion increase in payments in lieu, so that would be consolidation, fiscally neutral—

Hon. Bob Chiarelli: On the province's books.

Mr. Serge Imbrogno: On the province's books.

Mr. Peter Tabuns: And I'm assuming that the \$2.6 billion going to the OEFC from the departure tax would be used to reduce the debt of the OEFC. Is that not reasonable?

Mr. Serge Imbrogno: It would be part of the revenues that OEFC would use to reduce its obligations, yes.

Mr. Peter Tabuns: You're putting in \$2.6 billion. You're going to dedicate \$2.2 billion of that \$4 billion that's going to the Trillium Trust. So the new cash coming out of the sale is only going to be \$1.8 billion.

Ms. Sharon Geraghty: Again, all I am saying is that we're in the quiet period so the province should not be—the minister and the deputy should not be speculating as to what the proceeds will be. I just wanted to emphasize that again. We shouldn't be assumed to be stating what the proceeds of the offering will be.

Mr. Peter Tabuns: I'm just going by the published numbers that the province has put out. If it had put out a number saying \$40 billion, I'd be asking you about \$40 billion.

Ms. Sharon Geraghty: Again, I'm just emphasizing that the proposed price range is part of the marketing process, so it is not a speculation as to what we ultimately receive. The market will ultimately have to decide that. I'm repeating myself, but I just wanted to do that.

Mr. Peter Tabuns: And I'll repeat myself as well: The government has used the number \$9 billion. When the Premier gets up in the Legislature and says, "We've got all this money that we're going to spend on bridges, roads, subways, busways, high-speed rail"—a list that's very, very long and substantially more than \$4 billion—she refers back to this sale as being an important piece of that, and she typically uses the number \$4 billion. If you didn't put in that \$2.6 billion—because I understand Hydro One would have less—are we talking about a much smaller number for the amount that will be generated for infrastructure?

Mr. Serge Imbrogno: I think the news release says that the government will dedicate both cash and non-cash gains to the Trillium Trust. I think that's what it's saying. There's a calculation that the non-cash gain is \$2.2 billion. What the government is clarifying is whether it's cash or non-cash—

Mr. Peter Tabuns: So the \$2.2 billion—

Mr. Serge Imbrogno: —because it's a fiscal benefit, the government wants to credit it to the Trillium Trust.

Mr. Peter Tabuns: And so how does the government use the \$2.2 billion in non-cash gains to pay for subway trains?

Mr. Serge Imbrogno: The details of how the Trillium Trust will work will be part of the legislation that the government is bringing forward, so I can't really speculate on how you credit the \$2.2 billion and how you fund it, and how you fund it over time. I think that's something that—

Mr. Peter Tabuns: Sorry, Deputy Minister. I want to go back: There is new legislation coming forward on this?

Mr. Serge Imbrogno: On the Trillium Trust.

Mr. Peter Tabuns: There is new legislation coming forward?

Mr. Serge Imbrogno: That's what we have announced, that there will be legislation on naming the shares of Hydro One as eligible for being included in the Trillium Trust, and then also crediting the non-cash items into the Trillium Trust.

Mr. Peter Tabuns: So the non-cash items will be collateral for borrowing money?

Mr. Serge Imbrogno: Well, it has a fiscal benefit. I think the province is trying to say, "Whether the benefit to us is cash or non-cash, we want to dedicate the fiscal gain into the Trillium Trust." So I think the government wants to be consistent whether it's a cash or non-cash fiscal gain.

Mr. Peter Tabuns: What I see is Hydro One not paying off previous taxes, getting a tax holiday for future taxes, and this province having put \$2.6 billion in more equity into Hydro One, and if we had the \$2.6 billion in the first place then, frankly, that \$4 billion that has been used by the Premier as a figure—there's very little new money; most of it is existing cash that's just being recycled through the books.

Mr. Serge Imbrogno: The gain for the Trillium Trust is from selling the shares in Hydro One. That produces that net fiscal gain. The \$2.6-billion payment on the departure tax doesn't have a fiscal gain for the province, because on one part of the ledger we're getting the \$2.6 billion; on the other side, we're reducing our value by \$2.6 billion. So on that one transaction, there's no fiscal benefit to provide. It really is when you sell the shares in Hydro One that you're producing a net gain, and the province is saying, "We will dedicate that net fiscal gain to the Trillium Trust, whether it's in cash or non-cash."

Mr. Peter Tabuns: The \$2.2 billion that is going to come in value—non-cash value, I gather, is the term—from Hydro One to the Trillium Trust: That's a very big chunk of the \$4 billion that's available for infrastructure, and it wouldn't exist if existing money wasn't pumped into Hydro One, allowing them to have a tax holiday for a number of years in the future and to cover their taxes from the past.

Mr. Serge Imbrogno: I think, as counsel has said, that those two transactions are separate, the \$2.6 billion and the writing up of the tax deferral asset. They are two distinct transactions.

Mr. Peter Tabuns: They're distinct, but they are profoundly linked. If you weren't putting in the \$2.6 billion, you'd have far less to dedicate to the Trillium Trust. Is that not correct?

Mr. Serge Imbrogno: I don't think that's how the calculation would work.

Mr. Peter Tabuns: Well, you've said in the past that if the \$2.6 billion wasn't made available to Hydro One, it would reduce the value of the asset and affect its credit rating.

Mr. Serge Imbrogno: But it doesn't change the tax deferral, the \$2.2 billion that we're talking about. I don't want to speculate on how it could change the proceeds going forward because that's—

Mr. Peter Tabuns: I'm going to go to another question. How is the departure tax calculated, and what is the value of Hydro One that the departure tax is based on?

Mr. Serge Imbrogno: There is a determination by the Minister of Finance. I don't have all the technical details of it. It's dependent on each individual corporation and the information that's provided, so—

Ms. Sharon Geraghty: The only thing that I could add to that is that it's a calculation that is driven off tax rules that are actually—I believe; I'm not a tax expert—in the federal Income Tax Act. What they're designed to do is that, when you leave the PILs regime, the depreciable assets of a company are written up to their fair market value, and I think they create something called eligible capital expenditures. It is the writing-up of those assets to their fair market value on the departure from the system that generates the change in deferred tax balance that we discussed. So the Minister of Finance has determined what they believe that amount should be.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have about five minutes left.

Mr. Peter Tabuns: Thank you.

My understanding is that the departure tax has been set by the provincial government, that the idea in the first place was that if profits were to be realized from sales of utilities, those funds would be used to reduce the hydro debt and they were there to ensure that the value that was passed on to individual investors would help those who are stuck paying rates not to have to cover as much in the future.

I understand that you had in the last budget reduced the departure tax rate, with the idea that it would be easier—and there's a brief window of a few years—for municipalities to sell off their local distribution utilities. Was Hydro One not covered by any provincial legislation, in terms of having to pay a departure tax?

Mr. Serge Imbrogno: So, Mr. Tabuns, there are two taxes. There's a transfer tax that applies to municipal electric utilities that are leaving the PILs regime and are sold to the private sector—more than 10%. Then there's a departure tax that also applies to all the MEUs.

So there are two taxes. What the government did previously was to say that under the transfer tax, there's a holiday if you're 30,000 or less. In public-to-public, there is no transfer tax, but you always pay the departure tax. When you pay the departure tax, the calculation is like a PILs payment. The transfer tax allows you to net off any PILs payments that you make.

There are two different taxes. Hydro One doesn't pay a transfer tax because it is not a municipal utility and the province already dedicates all of its net income to the OEFC, whereas with a municipal electric utility, because it's owned by the municipality, they get the benefit of the net income, and so that is why we impose this transfer tax.

So there are two different taxes: the transfer tax and the departure tax.

1000

Mr. Peter Tabuns: Okay, so you've told me the transfer tax does not apply to the sale of Hydro One and the departure tax does. If it's the Income Tax Act, the calculation is done by the provincial Minister of Finance or the federal Minister of Finance?

Mr. Serge Imbrogno: The provincial Minister of Finance would have done the determination of what the departure tax is.

Mr. Peter Tabuns: Is there any place where we can look at how that calculation was done?

Mr. Serge Imbrogno: The calculation was made and it's pronounced and it's made public—

Mr. Peter Tabuns: I can see the end number; I can see the bottom line. I don't know what the factors are that allow for the calculation of the \$2.6 billion.

Ms. Sharon Geraghty: It does have to be a reasonable estimate. I may not have the words exactly, but it has to be a reasonable estimate of what the calculation is. In context, when this happens, if it happens because a company is—there's going to be an offering to the public, there is provision for the Minister of Finance to make a reasonable calculation of what that amount should be. So there is a provision that governs how the calculation has to be made.

Mr. Peter Tabuns: And is there any place where the public can see the basis for that calculation? I'm assuming that the Minister of Finance did an assessment of the total value of the corporation and applied a formula. There's a reason that it's \$2.6 billion and not a \$4-billion departure tax or a \$1-billion departure tax. Is there any place where the public can actually see the elements of the calculation?

Mr. Serge Imbrogno: I would think in the Income Tax Act, there is probably—I'm just speculating. I don't want to give you that answer without knowing for sure, but I would think it would outline what the ins and outs of that calculation are in the Income Tax Act. But that's not my area of expertise.

Mr. Peter Tabuns: Have you seen an opinion from the Minister of Finance in writing anywhere that sets out how he made that calculation?

Mr. Serge Imbrogno: I have only seen the end number, that they have made a calculation, a determination that it's the \$2.6 billion.

Mr. Peter Tabuns: Can I ask you—we've been talking about Hydro One. Hydro One Brampton: What is the expectation for cash to be realized from its sale?

Mr. Serge Imbrogno: The public figure is the \$607 million.

Mr. Peter Tabuns: It's \$670 million?

Mr. Serge Imbrogno: It's \$607 million total.

Mr. Peter Tabuns: Where is that money going to be applied?

Mr. Serge Imbrogno: Well, I believe that—the net proceeds—would also be dedicated to the Trillium Trust.

Mr. Peter Tabuns: Is that in addition to the \$4 billion for infrastructure?

Mr. Serge Imbrogno: I would have to check on that. I'm not sure if it's in addition or if it's part of the existing \$4 billion.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, I'm afraid you're out of time. We're now moving to the government side, Mr. Ballard.

Mr. Chris Ballard: Thank you for the information you're giving us, Mr. Minister. It certainly is fascinating and helps to complete the knowledge that I have about how things are rolling along.

I did have a question about the Canadian Energy Strategy. We know that this past summer, the Council of the Federation met in beautiful St. John's, Newfoundland and Labrador, where Premier Wynne worked with her Canadian counterparts to finalize the Canadian Energy Strategy.

The strategy strikes me as a great example of collaboration between provinces and territories on an issue of national importance. Energy policy is an important topic in Ontario as it's an issue that affects every Ontarian directly. I understand that the Canadian Energy Strategy is focused on ensuring energy development takes place in an environmentally and socially sustainable manner. Mr. Minister, my question is this: Can you tell us about the details of the Canadian Energy Strategy and how it will benefit Ontarians? Perhaps, can you also tell us what kind of concrete collaboration we can expect to see coming out of this strategy?

Hon. Bob Chiarelli: Thank you very much for the question, MPP Ballard. The Canadian Energy Strategy has been the subject of a lot of commentary through the media, through the meetings of the various Premiers, and certainly it has been one of the priorities collectively of the Premiers up to this point.

You're probably also aware of the fact that they tried to encourage the then Prime Minister to participate in those meetings. That wasn't able to occur, so it was very much a provincial initiative.

The Canadian Energy Strategy, or CES, was established to address issues of energy demand, diversity of supply, access to new markets, and climate change. It's aimed at ensuring that energy development takes place in an environmentally and socially sustainable manner. It demonstrates a commitment to strengthening the economy, creating jobs, and improving access to affordable, clean, renewable and reliable supplies of energy for all Canadians.

We're taking into account the importance of developing Canada's oil and gas resources while ensuring the environmental protections and community consultations are put in place.

All provinces and territories will work together in order to grow the economy, protect the environment, mitigate climate change, create new opportunities and enhance the quality of life for all Canadians.

The CES expresses a renewed vision that describes the kind of energy future that all Canadians aspire to achieve, and promotes the export of energy, expertise and innovation.

Each province and territory contributing to the development of the strategy has unique energy needs and unique energy assets. Ontario and Newfoundland and Labrador have committed to exploring opportunities for importing clean, reliable electricity into Ontario from Newfoundland and Labrador where feasible and economic. A high-level working group composed of provincial government officials, along with representatives from the IESO—that's the Independent Electricity System Operator—and Nalcor Energy, will undertake a study of the potential for electricity trade. This is about finding ways to lower costs for Ontario consumers and businesses while at the same time fighting climate change through the development of renewable resources, creating jobs and strengthening the economy.

The governments of Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories, Yukon and Ontario are establishing a pan-Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities. Reducing or eliminating diesel use in these communities will reduce harmful emissions, strengthen local economies and create well-paying jobs.

The pan-Canadian task force will be chaired by Manitoba and consist of officials from each of the provincial and territorial ministries and agencies that have policy responsibility for electricity supply in remote off-grid communities and remote off-grid indigenous communities.

This agreement will allow us to work with our provincial and territorial partners to find opportunities for interprovincial collaboration. By taking the diverse priorities of all provinces and territories into consideration, we can continue to develop our energy resources in a sustainable manner while addressing the challenge of climate change.

At this point, I'd like to turn it over to Deputy Minister Imbrogno and ADM Steen Hume, from the energy supply division, to expand on these points.

Mr. Chris Ballard: Thank you.

Mr. Serge Imbrogno: Thank you, Minister. We're very excited about the Canadian Energy Strategy because it gives us an opportunity to work with the other provinces in terms of new supply opportunities and also new innovations, things that we're doing in Ontario that also would benefit other provinces and things that they're doing that would benefit us.

Steen has been working with his colleagues from across Canada to implement, in real terms, the Canadian Energy Strategy, so I'll ask Steen just to walk you through some of the work that we've been doing and some of the interesting opportunities that are available to Ontario.

1010

Mr. Steen Hume: Good morning, committee. My name is Steen Hume. I'm the ADM of energy supply division in the Ministry of Energy.

Just following up on the comments of both the deputy and the minister, Ontario strongly supports and is encouraged by the work that has come out of the Canadian Energy Strategy. The Canadian Energy Strategy is a real opportunity for Ontario and other provinces. It's an opportunity to strengthen the economy, ensure that we have a secure supply of energy for all Canadians, and support energy innovation and climate change. I think a key point is the notion of collaboration across jurisdictions.

With respect to the strategy itself, I'd like to go into a little bit of background on how we got here because I think it's very important that folks understand that this has been a long process and a lot of work has been done by Premiers, as well as Ministers of Energy and the public service, to support the development of the Canadian Energy Strategy. This work really demonstrates a collaboration exercise amongst provinces and territories.

The kickoff of the Canadian Energy Strategy really took place back in 2007 at the Council of the Federation meeting in Newfoundland. It's a bit ironic that in July 2015, Premiers were back in Newfoundland to kick off the release of the Canadian Energy Strategy.

In the 2012 COF, Alberta at the time, in co-operation with Newfoundland and Manitoba, started to put life back into the Canadian Energy Strategy. At that time, all the Premiers agreed to a renewed Canadian Energy Strategy based on common principles of things like energy conservation, development, use. This really became the foundation for the work that was developed leading into the 2015 release.

Working with provincial and territorial energy ministers, Premiers at the time identified three themes that they wanted to address for the future of energy in Canada. These broad themes included sustainability, conservation, technology innovation and energy to people. These themes were then divided up amongst the provinces to develop working groups that would then eventually report back to Premiers on these types of themes.

In addition, in June 2013, stakeholder engagement workshops were also held in Edmonton, Alberta. This was an opportunity to hear from experts, industry associations, environmental groups, academics, research institutes as well as other provinces and those who were working in the field of energy to inform the energy strategy to give it real life.

In July 2013, at the Council of the Federation, Premiers were provided with a progress report, which was an update on the strategy—an agreement that the Canadian Energy Strategy should be expanded to focus on some important developments that I think were pre-occupying a number of Premiers at the time and the shift building on the initial work of sustainability, conservation, technology innovation and energy to people. They also started to move in the area of affordability, clean

renewable, and reliable supply of energy in aboriginal and remote communities.

In November 2013, we also started to see much more active participation on the part of British Columbia and, in May 2014, an active participation of Quebec. Although these provinces were participating through the COF—

The Chair (Ms. Cheri DiNovo): I'm sorry, Mr. Hume. Your time is not up, but it's time to adjourn. We will reconvene this afternoon at 3:45. Thank you, everyone.

The committee recessed from 1015 to 1555.

The Chair (Ms. Cheri DiNovo): Good afternoon. Before we get started, I believe the official opposition has a request.

Mr. Todd Smith: Yes, I have a motion that I'd like to move, and it doesn't have anything to do with the Blue Jays.

The Chair (Ms. Cheri DiNovo): Move it.

Mr. Todd Smith: I move that this committee request that the Chair of the Standing Committee on Estimates make arrangements to have this committee meet in room 151 for the remainder of the consideration of the 2015-16 expenditure estimates.

The Chair (Ms. Cheri DiNovo): The official opposition has requested that this committee meet in room 151 going forward. Does the committee agree?

Mr. Delaney.

Mr. Bob Delaney: Would the member please give us the reason for his request?

Mr. Todd Smith: It's a much nicer room than this one. No. There's the opportunity there for audiovisual as far as live-streaming the events. It is just a brighter, nicer room. This one can get hot too. It can get very hot. We're big guys here, so—

Mr. John Yakabuski: If the sun is shining, it's very hot.

Mr. Todd Smith: It's just a nicer room. From what I understand, they're using the Amethyst Room now just for report-writing, I believe, on Wednesdays. So if it's possible to move our committee meetings there—

Mr. Bob Delaney: I'm trying to understand this. We grasp that this is a committee primarily, frankly, to assist you in your deliberations as members of the opposition—

Mr. John Yakabuski: Then help us.

Mr. Bob Delaney: Well, help me help you. You say to make arrangements. Do we know, for example, whether or not the facilities of the Amethyst Room may be required by one of the other committees? I don't know what the other committees meeting there are and whether or not those other committees feel that they have a reasonable use for whatever facilities may exist in room 151 that exist here.

The Chair (Ms. Cheri DiNovo): Mr. Delaney, if I may, if you agree to this motion, I will then go into negotiation to make it so. If you disagree with this motion, then it dies right here.

Mr. Bob Delaney: This is why I'm trying to see whether or not we can be helpful. I'm not here to sit down and discuss it to death. But if what you'd like is

support from the government for this, can you report back on whether or not the other committees are amenable to it and—

The Chair (Ms. Cheri DiNovo): Again, I think I can answer that. Yes, the other Chair of the other committee is amenable to it if this committee is amenable to it.

Mr. Bob Delaney: What are the other committees currently using room 151?

Interjections.

The Chair (Ms. Cheri DiNovo): It's actually social policy that's using it. The Chair is sitting right over there. That's the negotiation.

Mr. Han Dong: Chair?

The Chair (Ms. Cheri DiNovo): Yes, Mr. Dong.

Mr. Han Dong: For the two committees to switch location, does the other committee also have to move a motion and pass—

The Chair (Ms. Cheri DiNovo): No. I just have to negotiate with their Chair. But I have to get your agreement. So really what's important is your vote here.

Mr. Han Dong: The reason for my question is that if that room is nicer, wouldn't other members of that committee want to keep that room? I'm just asking. What's the process? Do they have to vote on this?

The Chair (Ms. Cheri DiNovo): No. It would be decided by the two Chairs: myself and Mr. Tabuns as the Chair of that committee. He already agreed before this motion was put forward, but again, it's up to you. The bottom line is it's up to this committee to decide whether you want to move or not.

I think we're going to take one more speaker and then we're going to move to a vote. Mr. Balkissoon?

Mr. Bas Balkissoon: I'm sorry, Madam Chair. You're saying that at this committee we get the chance to discuss it but that committee will not be allowed to? I have to disagree. In fairness to all members who participate in committees, if we're going to make a decision, they should also make a decision. So to me, if this is the interest of everybody—what I hear Mr. Delaney asking for is, "Are we sure?", so rather than approving this motion now, why don't you as a Chair just investigate, get the other Chair to take his vote and come back and tell us?

1600

The Chair (Ms. Cheri DiNovo): I might suggest that we take a vote here, and then we go there and I talk to them. No?

Interjections.

The Chair (Ms. Cheri DiNovo): There is a motion on the floor, and we're going to need to vote on it, so why don't we proceed?

Mr. Bob Delaney: I think we actually are allowed to discuss a motion that's on the floor.

The Chair (Ms. Cheri DiNovo): Sure. Absolutely.

Mr. Bob Delaney: Is the other committee that's using room 151 the select committee?

Mr. John Yakabuski: Yes.

Mr. Bob Delaney: Do you know whether or not—

Interjections.

Mr. John Yakabuski: No, it can't be that one, because Daiene Vernile chairs that committee.

The Chair (Ms. Cheri DiNovo): It's social policy on Tuesday afternoons.

Mr. Bob Delaney: Yes. What I'm trying not to do here is to presume the will of other committees. If it's the will of the other committees and it's the will of this committee, why not? But the point that the government is trying to make here is that we would rather not presume the will of what we understand are two other committees.

On its face, we feel that this request merits some discussion. The only part here is that we're trying not to presume the will of two other committees. Would the Chair like to suggest a solution so that we don't vote on a motion that presumes the will of two other committees?

The Chair (Ms. Cheri DiNovo): Mr. Delaney, fair enough. I will confer with the Chair, who will then take it to their committee.

Yes, Mr. Yakabuski?

Mr. John Yakabuski: It is the select committee that has that room on Wednesdays. Don't forget that we have committee on both days. The select committee does have the room on Wednesdays. So there are two committees that actually have the room: social policy and the select committee.

Interjections.

The Chair (Ms. Cheri DiNovo): Excuse me for a second. The Clerk has just clarified something. The select committee doesn't have any specified time. It's only the social policy committee that has a specified time, so it's the social policy committee that I have to confer with, and I'm quite happy to do that and bring this back on Wednesday afternoon. Is that fine for the committee? Is that fine for the mover of the motion?

Mr. Han Dong: Chair?

The Chair (Ms. Cheri DiNovo): Yes, Mr. Dong?

Mr. Han Dong: I sit on the select committee as well, and we have a very tight schedule to write the report. I think that moving locations and all that discussion is going to disturb the entire discussion on that report—

Mr. John Yakabuski: How would it? You wouldn't even—

The Chair (Ms. Cheri DiNovo): Okay. I'm hearing that somebody has—

Mr. John Yakabuski: One day you go to the other room; one day you go to the next room. What will you do? You're not moving the chairs, Han.

The Chair (Ms. Cheri DiNovo): Quiet, Mr. Yakabuski.

Mr. Dong, I'm hearing that there's already a concern from that committee. I'm just going to test the waters. Does the committee want to vote on this now, or do you want me to investigate further and bring it back on Wednesday?

Mr. Bob Delaney: If the motion has merit, the government would rather not vote it down. We would like to have the Chair investigate this issue so that we do not presume the will of the select committee.

The Chair (Ms. Cheri DiNovo): Is that fair enough for the mover of the motion? I'll bring it back tomorrow

afternoon after checking with that committee and its Chair.

Mr. Todd Smith: You're going to check with the other committee first?

The Chair (Ms. Cheri DiNovo): Yes.

Mr. Todd Smith: Well, let's check with the other committee first, and then we'll vote.

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Smith. Having discussed that—

Mr. John Yakabuski: I'm glad I didn't move a motion to change the brand of toilet paper we use in this building. We'd never settle that.

The Chair (Ms. Cheri DiNovo): Okay, moving right along—

Interjections.

The Chair (Ms. Cheri DiNovo): Moving right along, we will resume consideration of vote 2901. When the committee recessed, the government side had eight minutes and 39 seconds left in their rotation. Government side, please proceed. Mr. Ballard.

Mr. Chris Ballard: Thank you, Chair. I believe we were hearing from the minister about the Canadian Energy Strategy. Minister, I was wondering if you could have your assistant deputy minister of the energy supply division come back and continue telling us about the details of the Canadian Energy Strategy, about how it benefits Ontarians and what kind of concrete collaboration we can expect to see coming out of the Canadian Energy Strategy.

Hon. Bob Chiarelli: Certainly.

Mr. Steen Hume: Good afternoon, committee. My name is Steen Hume. I'm the assistant deputy minister of the energy supply division in the Ministry of Energy.

Before we recessed this morning, we were having a conversation about the work that went into the development of the Canadian Energy Strategy. I was giving the committee an overview of some of the key dates, to highlight some of the work that was going on amongst Premiers and jurisdictions leading up to July 2015.

Where I left off was in 2014, at the Council of the Federation in PEI. This was an important meeting of Premiers with respect to the Canadian Energy Strategy, where all the Premiers at the meeting agreed that a big push had to be put on with respect to finalization of the Canadian Energy Strategy. There was an expectation that by the next summer meeting, the Council of the Federation in Newfoundland, there would be something to review, approve and release.

In 2014, in November, there was also an important thing that occurred between Ontario and Quebec, where a number of ministries, and this ministry in particular, entered into some collaboration discussions based on a joint cabinet meeting. Those collaboration discussions leading to agreements were critical in the development of a future MOU between the Ministries of Energy with Ontario and their Quebec counterpart to explore opportunities for collaboration around electricity trade, which I'll get into in a little bit more detail following some additional details on the Canadian Energy Strategy.

In 2015 in Newfoundland, the strategy was approved by all the Premiers, with broad endorsement of it. The objectives of the Canadian Energy Strategy, as mentioned both by the deputy and the minister, included things like a commitment to strengthening the economy, creating jobs and improving access to affordable, clean, renewable and reliable supplies of energy for all Canadians—important commitments.

The Canadian Energy Strategy was also designed and intended to address a variety of issues that all provinces and territories are facing. These include energy demand, diversity of supply, access to new markets and, of course, climate change.

I think overall, the feeling is that the Canadian Energy Strategy is a flexible framework that allows for provinces and territories to move together on a common vision to shape Canada's energy future. The Canadian Energy Strategy also outlines areas for collaborative action, which is important to this ministry in our discussions with places like Newfoundland and Quebec around electricity trade or the pan-Canadian agreement, discussions around remote communities.

In addition to the collaborative actions that were highlighted in the Canadian Energy Strategy and the importance of that, provinces and territories—Premiers—were also focused on four specific priorities related to energy. The four include:

- energy efficiency: performance policies and standards to drive uptake of energy efficiency improvement;
- the delivery of energy to people: new and enhanced transportation and transmission infrastructure;
- climate change and the transition to a low-carbon economy, which is around expanded market-based mechanisms towards the reduction of GHG emissions; and finally
- technology and innovation: technology to develop and improve access to clean energy, for off-grid communities in particular.

The Premiers at the time felt that additional energy and focus needed to be put towards these four priorities and are expecting, in the coming year, some level of report back on this work.

In addition to these four priority areas, the Ministry of Energy has also been working closely with its provincial and territorial colleagues on energy collaboration opportunities that complement the work in the Canadian Energy Strategy. These include, as I alluded to, (1) the pan-Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities; (2) Ontario and Quebec opportunities for energy collaboration; and (3) Ontario and Newfoundland and Labrador's opportunity for energy collaboration. I'll go into a bit of detail on 1 and 2, and then more detail on the work of Newfoundland.

1610

With respect to the pan-Canadian task force to reduce use of diesel fuel: Basically, the governments of Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories and Ontario have established a pan-

Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities. Reducing or eliminating diesel use in these communities would reduce harmful emissions, strengthen local economies and create well-paying jobs for those communities.

The pan-Canadian task force will be chaired by Manitoba and consists of officials from each of the provinces and territorial ministries and agencies that have policy responsibility for electricity supply in remote, off-grid communities and remote off-grid indigenous communities.

There's also work under way, as I spoke about a couple of weeks ago when I was before the committee, on the collaboration work between Ontario and Quebec on energy trading. In September 2015, Ontario signed an MOU with Quebec to explore further opportunities to enhance clean energy trade with Quebec that would help to reduce greenhouse gas emissions and provide value to Ontario ratepayers. Any resulting medium-term energy agreement between the two jurisdictions must meet certain threshold criteria. These include help to reduce Ontario electricity sector greenhouse gas emissions, provide savings to Ontario ratepayers and provide composite value to Quebec, and complement other electricity wholesale markets and policy initiatives in Quebec and Ontario.

Ontario remains focused on mitigating costs for Ontario ratepayers. That is a key issue for us.

Finally, with any deal that would go forward with Quebec, we would expect that Quebec would be able to provide us with electricity at a cheaper rate than it would cost to generate it here in Ontario. Our goal is to get the best possible deal for Ontario ratepayers.

The other—

The Chair (Ms. Cheri DiNovo): Mr. Hume, I'm afraid your time is up. Thank you very much.

We're going to move now to the official opposition. Mr. Yakabuski.

Mr. John Yakabuski: Thank you, Minister and support, for joining us today. I'll try to concentrate on energy estimates and not worry about what José Bautista is up to.

It was interesting listening to that stuff about Quebec. I'm really looking forward to the day that you actually sign something other than an MOU. I think what we'll be signing will be an IOU, because you're just dreaming with this stuff you're talking about with Quebec. You're just hoping. This is just fluff that you're putting out there and hoping the people are buying that this is somehow going to be your answer to the energy problems that you've created here in the province of Ontario. I know you're laughing at me, but it's true.

Anyway, let's talk about last week—well, we weren't here last week. Just as I predicted the week before, I said by the cover of darkness we'll get the announcement on what energy rates are going to be effective November 1. As sure as Bob's your uncle—that's an old saying; it has nothing to do with you personally—the announcement came and energy rates, surprise, surprise, are going up.

Mr. Todd Smith: You're like Kreskin.

Mr. John Yakabuski: Oh, I'm not as good as Kreskin. I don't get paid for this, actually. I just have to use the powers of deduction, whereas he actually used ESP.

Anyway, it went up from 8.0 cents to 8.3 cents a kilowatt hour for off-peak times. That's an increase of 3.75%. On mid-peak, it went from 12.2 cents to 12.8 cents. That's an increase of 4.91%. On peak, it went from 16.1 cents to 17.5 cents a kilowatt hour. That's 8.7%. I'm using a calculator, so I'm not even relying on my own math skills to calculate this, and I'd like to know how the Ontario Energy Board—or, if you're telling them exactly what to put in press releases, that's entirely possible, I suppose, because they sure seem to spout the Liberal line. They put out a press release that said that rates are going up 3.4%. We have three different time-of-usage rates here in the province of Ontario. We have three categories: on peak, mid-peak and off peak. At the very lowest, it's an increase of 3.75%; at the highest, it's an increase of 8.7%.

Can you explain to me how you can put out a press release that goes out to the people—because I heard it on the radio in my riding—that the Ontario Energy Board has announced that electricity is going up 3.4% on November 1? Can you help me with the math or simply just tell us that the information was erroneous or deliberately misleading?

Mr. Bob Delaney: Um—

Mr. John Yakabuski: I didn't say anything about him. I said “the Ontario Energy Board.”

Mr. Bob Delaney: I would ask the Chair to be sure that the member just moderates his language.

The Chair (Ms. Cheri DiNovo): It's okay. We'll continue. Minister, you can respond. Thank you.

Hon. Bob Chiarelli: I think the member from Renfrew–Nipissing–Pembroke knows very well that the Ontario Energy Board sets the rates. They make a decision when they're going to announce them, and that's the way it has always been.

We know that the Conservative Party of Ontario has a white paper, which they have not disavowed—the new leader has not disavowed it. It was adopted by Mr. Hudak when he was the leader, just a short while before Mr. Brown came in—a year or so. It says very, very specifically that the position or the policy of the Conservative Party is to expand ownership of Ontario Power Generation and Hydro One—

Mr. John Yakabuski: We're talking about the rates here.

Hon. Bob Chiarelli: No, no, I know that. I'm going to get to the rates very momentarily.

Mr. John Yakabuski: And the math.

Hon. Bob Chiarelli: They also indicated that your party's position is to rely on the Ontario Energy Board to set the rates. That's your existing party policy, which has not been disavowed by your new leader. They actually do the determination. They have public hearings, they have evidence, etc. They determine the timing of the announcement and the method of the announcement. It has

nothing to do with us. It goes directly from the Ontario Energy Board. I'm going to pass it on to the deputy and he's going to—

Mr. John Yakabuski: Okay. Because he has had his pencil out and he's figuring this out.

Hon. Bob Chiarelli:—expand on that answer somewhat.

Mr. Serge Imbrogno: The OEB hires Navigant to do an analysis of the forecast going forward. They would disclose all the information. The 3.4% is calculated based on the increase in the total bill, so what you're referring to is the increase in the commodity portion.

Mr. John Yakabuski: Are you telling me that the distribution charges have gone down? No.

Mr. Serge Imbrogno: No, it's just that when they do the calculation for that particular 3.4%, it's based on what the increase is on the total bill. You can also do the increase on just the commodity part. In the OEB press release, they talk about what the increase on the total bill is for an average consumer.

Mr. John Yakabuski: I would put it to you, then, Deputy, that it is either erroneous or deliberately misleading, because you're not going to be able to take a bill—an average bill or any other bill—and show a 3.4% increase unless they're using every bit of their power at off-peak times, and then it's factored in with no other increase on any other part of the bill. You can't calculate forward because you're talking about November 1. This was the rate on November 1.

I question the accuracy and the transparency of that kind of press release that tells the public that rates are going up 3.4% when the math just doesn't support that.

Mr. Serge Imbrogno: They would have disclosed the increase in each of the components of the off-peak, on-peak and so on. They would have disclosed what the commodity increase would have been. This part of it talks about what the increase is compared to your average total bill.

Mr. John Yakabuski: Could you provide for the committee all of the analysis and the calculations involved in coming up with that figure of 3.4%? Could you provide that for the committee?

Mr. Serge Imbrogno: I think the OEB press release provides all that. It also provides—

Mr. John Yakabuski: No, no. The OEB's press release—there's nothing in there. It says that rates are going up 3.4%. There's no background whatsoever in the press release.

1620

Mr. Serge Imbrogno: Part of the press release is based on the Navigant study, which is—

Mr. John Yakabuski: I understand that. Can you provide for the committee the copy of the Navigant study or whatever the OEB used to come up with that figure? Because I believe that figure is misleading to the public. The public, when they pick up their bill, they don't get a calculator out. They pick up their bill and they say, “Oh, my God. It's up this much. Can you believe it, dear? What are we going to do? It's heat or eat.” They don't get the calculator out, but they know it's more than 3.4%.

Mr. Serge Imbrogno: I can provide the committee with a copy of the Navigant report.

Mr. John Yakabuski: That would be helpful, and if you could lay that out in exactly how they came up with that figure, because that is the figure that has been released to the public, the 3.4%. It was released to the media, which of course is the conduit to the public. So we need to have the information on that and how they calculated that.

Let's get to the increases themselves. We knew it was going to be bad news when we saw the information that was leaking out throughout the summer with regard to power sales to other jurisdictions, and they had losses etc. My question is to the minister: How much do you believe that the average residential energy consumer can absorb when it comes to—what is your position? You must have a number in your mind or a number you've talked about at the cabinet table, something that you say, "This is one that we can get away with." What do you think the average consumer can actually absorb in increased energy costs as a result of this six-month cycle? They view with trepidation the calendar dates when those energy increases are coming into effect. What is your position on how much they can absorb or how tolerant they are for more abuse?

Hon. Bob Chiarelli: That's a very, very good question. That's a very important question. If you look at the 2013 long-term energy plan, there's a chart in there which shows the projected increases in electricity rates over a 20-year period. Over the last several years, the increases have been less than what we had projected—that's number one—because we have really cut down a lot of the capital costs that have been going into the sector; for example, taking \$3.7 billion out of the Samsung contract, indefinitely deferring new nuclear construction, which is twice the cost of refurbishment, and putting dispatch in for wind. That took costs out of the system.

So the rate of increase has diminished. That still doesn't help the consumer a lot, because they still have to pay more. Because of that, and we've said all along, we've rebuilt the system. You can talk about renewables all you want, but you talk about 20 new gas plants, you talk about the Niagara tunnel—

Mr. John Yakabuski: Which you wouldn't have had to build if you didn't put in all the renewables.

Hon. Bob Chiarelli: —you talk about the Lower Mattagami—

Mr. John Yakabuski: You would not have had to build all those gas plants if you hadn't gone down all this renewable road.

Hon. Bob Chiarelli: —all the costs of those have gone on so that we could put ourselves into a situation where we have an adequate surplus or reserve, which is recommended for the system.

As you're aware, because you've asked me the question many times and I've given you the answer many times—

Mr. John Yakabuski: You've given me the spin; you've never given me an answer yet. I'm still waiting for the answer.

Hon. Bob Chiarelli: —we've created programs to mitigate the rate increases. We've created a number of programs to mitigate increases for the ratepayer. You know that we have an Ontario Energy and Property Tax Credit that saves qualifying individuals up to \$993 a year, with a maximum of \$1,131 per year for qualifying seniors. You know that, in addition to the new program coming forward, there's a Low-Income Energy Assistance Program that provides emergency financial support of up to \$600 for families and individuals having trouble with their bills. You know that we have a Northern Ontario Energy Credit, which helps families and individuals in northern Ontario by providing tax credits for low- to middle-income families and individuals living in northern Ontario. The maximum annual credit for a single person is \$143, and for a family, including single parents, it's \$221.

You also know that we have some new reductions coming online, which is the Ontario Electricity Support Program, which will reduce rates for modest-income families—

Mr. John Yakabuski: What's that again? What do you call that again?

Hon. Bob Chiarelli: The Ontario Electricity Support Program will reduce rates for modest-income families by \$360 per year. In addition, the debt retirement charge imposed by the Conservatives—you'll recall that—is being removed from residential bills starting in about nine weeks, saving homeowners \$70 per year. Those are in addition to those other programs—

Mr. John Yakabuski: What about anything else that you're taking away from the consumer?

Hon. Bob Chiarelli: Yes. The Clean Energy Benefit will be cutting off January 1—

Mr. John Yakabuski: The Ontario debt retirement charge was going to save the consumer how much?

Hon. Bob Chiarelli: Seventy dollars.

Mr. John Yakabuski: How much?

Hon. Bob Chiarelli: Seventy.

Mr. John Yakabuski: Seventy. How much is the taking away of the Clean Energy Benefit going to cost them?

Hon. Bob Chiarelli: I think it's \$110 or \$120.

Mr. John Yakabuski: Yeah, so they're down 40 bucks there.

Let's just talk about a few of those. Every time you talked about one of these, you said, "qualifying, low income." Each one of these has a threshold. You've arbitrarily decided what that threshold is.

We looked at some of your programs, and when you just fall outside of the program—it's not like there's a sliding scale. If you're outside of the program, you don't benefit at all. You could be in one of the worst positions with regard to having energy poverty or being completely reliant on energy, depending upon your situation. You're a senior couple, living alone, in a baseboard electrically

heated home, but your income just gets above the maximum threshold.

The Chair (Ms. Cheri DiNovo): Mr. Yakabuski, you have about five minutes left, and, you should know, Kansas City is ahead four; the Blue Jays, zero. Continue.

Mr. John Yakabuski: That's almost as bad news as what I keep getting from the Minister of Energy. But the good thing is that the Blue Jays are going to come back with some good news—I'm confident of that—but I'm afraid the only thing I'm going to get from the minister is going to be bad news.

Here we are: You're just outside of that threshold. What do you say to those people? These are the ones who are at my doorstep—I guarantee you, they're at Mr. Smith's doorstep, and of all of those folks over there, which I'm never going to hear about, because they've been told by the corner office on the second floor, "Don't talk about it." But I'm sure you hear about it, Minister, and not just—

Mr. Bob Delaney: Chair?

The Chair (Ms. Cheri DiNovo): Excuse me for a second. Mr. Delaney, yes, quickly.

Mr. Bob Delaney: On a point of order: The same rules that apply for imputing motive in the Legislature also apply in committee. The allegation and the imputation of motive made by the member crosses the line.

The Chair (Ms. Cheri DiNovo): Okay, thank you. Back to Mr. Yakabuski.

Mr. John Yakabuski: I was not impugning any motives at all; I was simply correctly implying that the decisions are made in the corner office on the second floor and they are bound to abide by them or they'll find themselves out of their PA job or whatever.

Here we go: What do you say to those people who fall just outside of the lines, Minister? I know you hear about them in your riding, too, not just because you're the Minister of Energy, but you're a good constituency man; I know that. You hear about them, too. What do you tell those people when they're going into energy poverty as a senior couple, living in a home electrically heated with baseboards built in the 1970s and their hydro bills are \$700, \$800 a month and going up? What do you say to them?

Hon. Bob Chiarelli: A number of things. Number one: The former Environmental Commissioner, supported by both the NDP and the PCs, called for a bigger spread between peak and non-peak, stating that a bigger differential between off-peak and on-peak would help Ontarians conserve electricity—

Mr. John Yakabuski: How does that change something for a senior who's living at home in the wintertime and they've got to heat the home?

Hon. Bob Chiarelli: I'm just going to keep on talking because you asked for an answer and I'm providing an answer.

The Chair (Ms. Cheri DiNovo): One at a time, please.

Hon. Bob Chiarelli: The Auditor General, whose appointment the NDP and PCs both supported, said that

the on-peak to off-peak ratio needed to be broadened to further incent conservation. In fact, I think the Environmental Commissioner said it needed to be a 5-to-1 differential which is very, very—

Mr. John Yakabuski: I'm not interviewing the former Environmental Commissioner.

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Hon. Bob Chiarelli: So we're providing tools for individual consumers to help mitigate what they're paying on their electricity bills.

We also have a significant number of conservation programs that are offered through the LDCs, and there are enhanced conservation programs that are in the making right now because the 70 LDCs have signed contracts with the IESO to raise their targets for conservation, to help people mitigate the rates. So they have that tool, conservation; they have the time of use that they can use.

The other thing, really—and I have to admit that maybe we haven't communicated it as well as we could have, and I certainly do personally as an MPP—is by making the individual consumers aware of the programs that they can access. So we communicate with them, basically telling them about the Ontario Energy and Property Tax Credit, the Low-Income Energy Assistance Program, the saveONenergy Home Assistance Program, including help to buy energy-saving appliances.

We're trying to implement what the Auditor General has asked us to do, what the former Environmental Commissioner asked us to do, in terms of providing tools for consumers to assist them with their bills.

I'm going to ask the deputy to respond to that as well.

Mr. John Yakabuski: I think we're just about out of time. You ragged the puck long enough that I'm not even going to get another question.

Hon. Bob Chiarelli: You rag the puck by asking such long questions.

The Chair (Ms. Cheri DiNovo): You have about 30 seconds left—rag on.

Mr. Serge Imbrogno: I would just say, on the Ontario energy support program, the Ontario Energy Board did an extensive consultation with low-income communities to target the program to the groups that need it the most. So I think that what you see in the OESP is a program that came about through extensive consultation—

The Chair (Ms. Cheri DiNovo): Thank you, Deputy Minister. We are now going to move to the third party. Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Chair. I want to just follow up on a question I asked earlier. The sale of Hydro One Brampton will bring in how much? My note was \$670 million, but I'm not sure I heard you correctly.

Hon. Bob Chiarelli: It's 607, I think.

Mr. Peter Tabuns: It's \$607 million? Where will that revenue go?

Mr. Serge Imbrogno: It will be the same as when we dispose any other asset. So a portion would go to pay down some of the debt. The net proceeds would go into the Trillium Trust.

Mr. Peter Tabuns: What's the ratio?

Mr. Serge Imbrogno: I don't have the net number from that particular sale.

Mr. Peter Tabuns: Can I ask you to get it?

Mr. Serge Imbrogno: We're in the process of trying to track that down.

Mr. Peter Tabuns: Okay. So that's noted in Hansard that that's coming forward.

I'm trying to understand the benefit to ratepayers who will be paying for transmission services, as well as distribution services. Of the \$800 million that's going to be borrowed by Hydro One that the ratepayers will be paying back that's going to be paid to the province of Ontario, what's the benefit to the ratepayers?

Mr. Serge Imbrogno: There's no impact on the ratepayers.

Mr. Peter Tabuns: Won't they have to pay back that \$800 million?

Mr. Serge Imbrogno: The OEB would only allow increases that are prudent and justified.

Mr. Peter Tabuns: So you're telling me the OEB won't allow Hydro One to recover funds for that \$800 million, and that this is not a prudent or justified expense?

Mr. Serge Imbrogno: I'm saying Hydro One is using the deemed equity-debt ratios that are provided by the OEB. So they're working within the OEB construct.

Mr. Peter Tabuns: So, in fact, the ratepayers will be charged to pay back this \$800 million; is that correct?

Mr. Serge Imbrogno: It will be part of Hydro One's rates—

Mr. Peter Tabuns: Right.

Mr. Serge Imbrogno: I'm not saying they're additional to that. I'm saying that Hydro One is working within what is allowed by the OEB.

Mr. Peter Tabuns: I'm sorry. There was a bit of noise there. Could you repeat that, please?

Mr. Serge Imbrogno: I'm saying that the OEB sets the deemed debt-to-equity ratio—

Mr. Peter Tabuns: Right.

Mr. Serge Imbrogno: —that Hydro One is working within. So they're not going outside the bounds of the OEB; they're doing what the OEB allows.

Mr. Peter Tabuns: I understand that. The OEB will allow a lot. But I don't see what the advantage is to the ratepayers of taking on \$800 million more in debt. How is that going to help the ratepayers?

Mr. Serge Imbrogno: Well, it is helping to have a capital structure that's efficient. Hydro One is moving forward with what is allowed by the OEB, like any other LDC would be allowed to do.

Mr. Peter Tabuns: But, Deputy, if Hydro One borrowed \$800 million and set up a fund to help ratepayers conserve energy, I can see assuming that debt would actually come back to the ratepayers in the system. But Hydro One is going to borrow \$800 million and turn it over as a dividend to the province of Ontario, and the ratepayers, who don't pay based on their income but pay a flat rate for electricity, will be paying \$800 million.

What's the advantage to the ratepayers of taking on \$800 million more in debt? Is there any advantage?

Mr. Serge Imbrogno: What I'm saying is, that is what the OEB allows any corporation that's regulated by the OEB to do. They set a debt-to-equity ratio—

Mr. Peter Tabuns: I have no doubt they allow it to be done. I'm not arguing that. I don't think it's illegal. What's the benefit to the ratepayer?

Mr. Serge Imbrogno: Well, the benefit is having an efficient capital structure, being able to borrow with an efficient capital structure.

Mr. Peter Tabuns: Well, yes, they borrowed and they're going to pay back a debt, but they aren't going to get any benefit from that debt, are they? It won't make the electricity system more efficient. It won't help them reduce their costs. It's just a debt that they're going to be paying off. That's a dividend to the province. Correct?

Mr. Serge Imbrogno: I wouldn't characterize it that way.

Mr. Peter Tabuns: Well, how would you characterize it? If you borrow \$800 million, don't spend on the electricity system and give it to someone else, they're stuck paying debt and they don't get any benefit—unless you can tell me there's a benefit.

Mr. Serge Imbrogno: Well, I think the benefit is having an efficient capital structure, which is allowed of every LDC. Anyone that's regulated by the OEB has a deemed debt-to-equity ratio that they're allowed to structure towards.

Mr. Peter Tabuns: No, I understand they're allowed to have a debt-to-equity ratio, but they're taking on a debt that they're going to pay off on their rates for years to come, and they won't see any benefit from it. It's a loss to them, is it not?

Mr. Serge Imbrogno: Well, they would have a change. They would have more equity than debt. They're now rebalancing to have more debt than equity.

Mr. Peter Tabuns: So why didn't they borrow \$800 million to improve the Hydro One system and make it more efficient? Why are they borrowing \$800 million to give to the province and taking on more debt that ratepayers will have to pay off, and they won't see any benefit in the operation of the system or their bills?

Mr. Serge Imbrogno: I think Hydro One is moving to a more efficient capital structure, which is more debt and less equity—

Mr. Peter Tabuns: Why didn't you borrow \$800 million to improve the system?

Mr. Serge Imbrogno: Well, they're improving the system in other ways. This is allowing them to have an efficient capital structure—

Mr. Peter Tabuns: They could have borrowed \$800 million to deal with outstanding contamination. That would have made Ontario a cleaner place. But borrowing \$800 million, and there is no benefit to the ratepayers that you can point out to me—they're going to pay for it, no question, unless you or the OEB deems it an imprudent cost. Do you think it's imprudent?

Mr. Serge Imbrogno: I think having an efficient capital structure that's deemed by the OEB is prudent by Hydro One. If they need to borrow to invest in infrastructure, that's also part of what Hydro One does and they have a plan for doing that.

Mr. Peter Tabuns: But they aren't borrowing for infrastructure. Are they? Minister?

Hon. Bob Chiarelli: Why don't we let counsel try to answer, maybe a little bit differently than that?

Mr. Peter Tabuns: I'm happy to have counsel give it a shot.

Ms. Sharon Geraghty: Thank you. I think everything the deputy said is correct. But I think what he's trying to say—maybe there's a misunderstanding with you—is that the company needs capital to do what it does. Right now it has capital in the form of \$800 million of equity, and it's shifting that capital that it has to debt in order to have the deemed capital structure that the OEB assumes it has for purposes of rate-setting anyway. So it's just moving capital that it has from equity effectively to debt.

Mr. Peter Tabuns: Well, I can see how you can take on \$800 million of debt in a variety of ways. There are a variety of things that the electricity system needs. It could have taken on \$800 million in debt to beef up the transmission links with Quebec to buy power. We could have borrowed \$800 million to beef up the transmission system in northwestern Ontario to deal with problems there. You're telling me they're borrowing more money in order for the structure of the debt-to-equity to look better but not actually to improve the system itself.

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Ms. Sharon Geraghty: What the deputy is saying and I'm repeating is that the OEB assumes a debt-to-equity structure which this dividend will allow the company to mirror because it's being treated for rate-setting purposes as if it has that capital structure already.

Mr. Peter Tabuns: I don't think you've said anything to me that says to me that this will be an improvement to ratepayers. If I go talk to my constituents and say, "Hydro One, which delivers power from these generating stations across Ontario to you, is borrowing money, is going to pay it to the government of Ontario, but it's actually something that you're going to pay for in your rates. You're not going to see any advantage," I don't think they would be happy with the idea of simply inefficient capital structure.

Ms. Sharon Geraghty: I think what we're saying is that this won't impact rates. It doesn't change the rates that are in place now because it's simply a change to the capital structure of the company.

Mr. Peter Tabuns: If you change the capital structure of a company and you lose \$800 million in the process—

Ms. Sharon Geraghty: But they haven't lost \$800 million.

Mr. Peter Tabuns: Are they paying \$800 million to the province of Ontario?

Ms. Sharon Geraghty: The province of Ontario's equity is being reduced by \$800 million.

Mr. Peter Tabuns: After putting in \$2.6 billion to beef up the equity?

Ms. Sharon Geraghty: As you know, that's separate.

Mr. Peter Tabuns: Yes, but I'm watching all the numbers going back and forth. You're telling me you have to put in \$2.6 billion to beef up the equity. Why don't you put in \$1.8 billion instead of \$2.6 billion?

Mr. Serge Imbrogno: The \$2.6 billion relates to the payment of the departure tax, and so that—well, we've been through this transaction—

Mr. Peter Tabuns: They could have borrowed \$800 million to pay the departure tax. I know that \$2.6 billion is for the departure tax, but in addition to all of that there's another \$800 million that's being borrowed that people will have to pay off.

I have to say to you, I know you're shaking your head and, for the record, you do look a bit frustrated, but what—

Ms. Sharon Geraghty: No, I'm not frustrated.

Mr. Peter Tabuns: No. You're—

Ms. Sharon Geraghty: I'm trying to be helpful. That's all, and I sense I'm not being helpful, but I want to be.

Mr. Peter Tabuns: I think for myself and for my constituents who are dealing with hydro bills that make them crazy, this whole idea of borrowing money that doesn't improve the system but is going to be part of their costs in the years to come doesn't make sense. I'll leave it at that for the moment.

Before I go to the contaminated sites, will the corporate taxes paid by Hydro One go to pay down the hydro debt of the Ontario Electricity Finance Corp.? I'm assuming this new Hydro One will be paying corporate taxes. Correct?

Mr. Serge Imbrogno: Once it exits the payments-in-lieu-of-tax regime, it would be subject to regular income tax.

Mr. Peter Tabuns: And will that money be directed to pay off the hydro debt?

Mr. Serge Imbrogno: That would be a question better posed to the Ministry of Finance. The PILs are directed to the OEFC. Actual corporate taxes: That would be another question for finance.

Mr. Peter Tabuns: Will the new revenue from the Hydro One dividends go to pay down OEFC debt or go into general funds, consolidated revenue?

Mr. Serge Imbrogno: Sorry. Could you repeat that one again?

Mr. Peter Tabuns: Will the new revenue from the Hydro One dividends—it's going to be declaring a \$500-million dividend, according to the prospectus. Will the province's portion of those dividends be used to reduce the hydro debt held by the OEFC?

Mr. Serge Imbrogno: I believe it will be the same. We have 85% of it versus the 100%. So it would be the same proportion and the same dedication to the OEFC. About 85% of the—

Mr. Peter Tabuns: Will go to the OEFC. Correct?

Mr. Serge Imbrogno: Yes. Before, it would have been 100%. Whatever the—above the cost of borrowing.

Mr. Peter Tabuns: Will this reduce the revenue that's used to pay down the stranded debt and extend the time it'll take to pay off the hydro debt? If we're only getting 85% now and in a little while we'll get 40% less, then eventually we'll only be getting 40% of that revenue—even though that was supposed to be paying down the Hydro debt.

Mr. Serge Imbrogno: That's a calculation that finance would make in terms of—you have a couple of things happening. You have more upfront revenue, and then you have a loss of some revenue streams going forward. They'd have to make a calculation to see—some are going up, some are going down on that—does it change your defeasance state?

Mr. Peter Tabuns: But when I've asked you previously about which debt was going to be paid off, there was no specificity. You just said debt generally—not to the residual stranded debt, not necessarily to the stranded debt, just to debt. Ontario has a lot of debt.

Mr. Serge Imbrogno: I thought you were referring to the impact on the debt retirement charge and whether it would end earlier or later. That calculation is partly forward looking—what you think the revenues are going to be going forward. When you do that calculation, if you have 85%, it would be lower revenues forecast going forward, but you'd also have more upfront revenues. I think there's a calculation that finance would have to make to see, are you defeasing at the same time or not?

Mr. Peter Tabuns: Is the \$5 billion in debt reduction that comes from the sale of 60% of Hydro One going to be used to reduce the residual debt?

Mr. Serge Imbrogno: Not the residual debt, but the debt. It's not a stranded debt because it's part of an asset. It will reduce debt, but it doesn't have an impact on stranded debt.

Mr. Peter Tabuns: So it isn't going to pay the debt that the OEFC is holding.

Mr. Serge Imbrogno: Well, it will pay the debt, but not the stranded debt. There's a difference between—because it's backed by an asset. There's an asset and you're selling the asset and you're paying down the book value of that asset. That doesn't change your stranded debt position.

Mr. Peter Tabuns: So ratepayers will still be on the hook for the stranded debt, and the payment will go to pay a part of the debt that the ratepayers aren't having to deal with right now?

Mr. Serge Imbrogno: It's paying down debt in the OEFC; it's just not having that impact on stranded debt because it's not a stranded asset. It's—

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have about five minutes left.

Mr. Peter Tabuns: Thank you.

I'm going to go to another question about contamination. The Hydro One prospectus describes present-day value of \$207 million in environmental liabilities for Hydro One—page F23, I think. Do you have or can you

provide a list of those contaminated sites and those contamination problems that Hydro One is dealing with?

Mr. Serge Imbrogno: I'm sorry; what page is that?

Mr. Peter Tabuns: I was told F23.

Mr. Serge Imbrogno: I must have a different—you're asking whether we can provide the—

Mr. Peter Tabuns: Provide a list of what the sites are that are going to have to be decontaminated. What are the exact liabilities? Are we talking about a hundred barrels of PCBs in a warehouse somewhere in Etobicoke or are we talking about a brownfield site?

Ms. Sharon Geraghty: The only caution I have is, as we've said before, we can't expand upon what's in the prospectus. The prospectus was designed to provide to investors all the material information, and so this was described in a way that was intended to provide all the material information. I do not know if the information that you're requesting is public, and so this is the description that I think people determined was the—

Mr. Peter Tabuns: Well, I'll ask for the description of the contaminated sites as of December 31, 2014.

Ms. Sharon Geraghty: I think that's equally something where I just want to be cautioning us not to try to expand—I'm not even sure you're in a position to do so, frankly, but just be careful about expanding on what's in the prospectus. This detail may or may not be public; I don't know.

Mr. Serge Imbrogno: I think if it's in the prospectus, that's probably the amount of disclosure that Hydro One has provided. It's possible, in previous submissions to the OEB, they may have disclosed information in their rate filings and that would be publicly available if they've done that.

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Mr. Peter Tabuns: Do you have access to that from the Ministry of Energy?

Mr. Serge Imbrogno: I think whatever they've filed in the past would be available on the OEB website, so I think that would be publicly available, if they've disclosed that.

Mr. Peter Tabuns: I'm curious as to on what basis the assessment has been made. In public accounts, in the figures "Liabilities for Contaminated Sites in Public Accounts of Ontario 2014-2015, Consolidated Financial Statements," the liabilities for contaminated sites were \$107 million in 2014 and \$1.792 billion in 2015. The method for assessing contamination was changed. Previously it was based on federal regulations. The new number has been restated based on provincial regulations. Is the number that's in the prospectus reflecting the old method of assessing or the new method of assessing?

Mr. Serge Imbrogno: I don't know the answer to that.

Mr. Peter Tabuns: Can I ask you to find out the answer? Because I think it's quite material. It's a very substantial difference between the two figures.

Mr. Serge Imbrogno: To the extent that it doesn't get us offside the prospectus, we can find what methodology was used.

Mr. Peter Tabuns: Well, does the prospectus state whether or not it's using the most current provincial method for determining liability, or the previous one, which was dramatically smaller?

Ms. Sharon Geraghty: I do not recall what the prospectus specifically describes. I'm not sure it goes into that level of detail. I can tell you that, given that this is in the notes to the financial statements, I'm confident that it describes it in accordance with GAAP, for example, in how the auditors would have required it to be disclosed. So that would have been current as of June 30, 2015.

Mr. Peter Tabuns: Well, in 2014 the contaminated sites number at \$107 million, I'm sure, was consistent with GAAP as well—generally accepted accounting practice. But it's been restated, and I think I would like to know, and many would like to know, whether it's based on the old system of assessment or the current system.

Ms. Sharon Geraghty: This reporting that we're talking about in the prospectus is reporting by Hydro One, as you know, and they I'm sure have complied with all of the standards and provided the details that they're supposed to.

The Chair (Ms. Cheri DiNovo): I'm afraid we'll have to end it there. Your time is up. By the way, it's Kansas City 5; Jays 0.

We're going to move to the government side. Yes, Ms. Kiwala.

Ms. Sophie Kiwala: Thank you very much for your time on this committee. It's been very interesting so far.

While we're on the subject of finance, I'm pleased that we're having this discussion about it, because this whole conversation relates back to exactly why we are having the discussion in the first place, which is about reinvesting in the province and infrastructure and transportation.

I understand that recently Hydro One released an amended and restated prospectus that contained the number of shares in the Hydro One IPO and a share price in the range of between \$19 and \$21. I'm wondering if the minister can provide some information about what the amended and restated prospectus means in terms of what Ontarians will get out of the IPO. More specifically, are we still on track to get the \$9 billion: \$5 billion to pay down debt, and \$4 billion to invest in transit and transportation infrastructure?

Ms. Sharon Geraghty: I might just say again—sorry—just to caution that when he's answering this question, it's important he not speculate on the value that the company will actually have and so on.

Hon. Bob Chiarelli: Okay, thank you. I'll respond to that, then I'll ask counsel and perhaps the deputy to expand on my answer.

Broadening the ownership of Hydro One will create, we believe, a stronger-performing customer-service-focused company. Any efficiencies created will also put downward pressure on electricity rates. This move will provide billions to help finance the single largest investment in transit and transportation infrastructure in the province's history, without increasing borrowing, raising taxes or cutting public services. We believe we have a mandate to do that.

Despite any recent global market volatility, the province remains on track to realize our budget target of \$9 billion generated through the IPO—\$4 billion for infrastructure investment and \$5 billion for debt repayment. Our goal, as we've always said, is to get the best possible value for the people of this province and to invest billions of dollars in infrastructure through the Trillium Trust.

The amended and restated prospectus is a very standard step in the process of moving forward with the IPO. It applies to all companies who are going forward with IPOs, including Hydro One and any others who do so. It includes an initial share price range of \$19 to \$21. Typically, such estimates tend to be prudent and careful, leaving room for market reaction. The final price will only be decided after a defined marketing period with potential investors, as well as by further analysis. In fact, there are many cases where the final price of an IPO is listed higher and, in some cases, lower.

Our goal, as we've always said, is to get the best possible value for the people of this province, and also to invest billions in infrastructure through the Trillium Trust. Proceeding in a careful, staged manner of multiple tranches allows us to stay on track and realize our targets. We remain confident with our earlier estimates that the province remains on track to realize our budget target of \$9 billion generated through the IPO. We will also realize an up-front payment of \$1 billion in the form of an \$800-million special cash dividend to pay down provincial debt associated with Hydro One and \$200 million in payments in lieu of taxes. We will also benefit from a higher than originally anticipated fiscal gain, which is estimated to be approximately \$2.2 billion and will be invested in the Trillium Trust.

The range included in the prospectus is a prudent, careful estimate, and final figures will only be known after the marketing. Our goal, as we've always said, is to get the best possible value for the people of this province, and also to invest billions in infrastructure through the Trillium Trust. We've considered this issue carefully, given recent attention on market conditions and continuing challenges in certain sectors. With the input of our financial advisers, we believe that it is an appropriate time to proceed with the marketing efforts. By proceeding in a careful, staged manner like this, we're able to stay on track, reduce risk and realize our financial targets for the benefit of the province. If anything, this validates our approach and stands in marked contrast with the reckless plan proposed by the former PC government to sell 100% at once.

I'm going to ask counsel if she might have a comment or two on that, and then I'll ask the deputy to comment.

Ms. Sharon Geraghty: I'll only expand on what I was saying before, which is that the information that you've noted in the prospectus—the number of shares and the estimated price range—is, as the minister said, a standard part of the marketing process. It will be used by the company and the dealers in this marketing phase of the process. Ultimately, whatever the market determines is the right price will be the price, and we shouldn't be speculating, obviously, on that.

Mr. Serge Imbrogno: I think the only other thing I would add is that the amended, restated prospectus talks about the 81,100,000 common shares, but there's also an over-allotment option of 8,150,000 common shares that should also be factored in that brings it up to the full 15%.

Ms. Sophie Kiwala: Thank you. While we're on the subject, I would also like to ask another question about First Nations collaboration. As you know, I've been doing some work through the Ministry of Tourism, Culture and Sport on a survey with aboriginal First Nations libraries. We've been speaking a lot about many different aspects of their community and some of the different ways in which they collaborate with different levels of government or within their communities.

1700

When the 2013 long-term energy plan was being developed, I believe there were many consultations regarding how to best involve First Nations communities in Ontario's energy sector. My question is: As a result of those consultations, what is the government doing to promote those aboriginal partnerships—which are so important for them—in new energy projects?

Hon. Bob Chiarelli: Thank you very much for the question.

The issue of aboriginal affairs, if I can put it that way, and how it relates to the energy sector is very important to the people across the province, not only to aboriginal communities. We made very significant efforts to engage with First Nation and Métis communities; we're continuing to do so. I meet regularly with the Chiefs of Ontario, as other ministries do in their particular mandate—but we're doing it in the energy sector.

We've had some significant successes. In total, 65 First Nation and Métis communities are involved in wind, solar and hydroelectric projects across the province. They are participating in more than 500 projects representing over 1,500 megawatts of clean energy capacity. That also includes significant transmission. The Bruce-to-Milton transmission line, which I think is somewhere around a billion-plus dollars, has significant First Nation equity participation.

The Lower Mattagami dam expansion, which I think is a \$2.6-billion dam expansion, also has significant aboriginal First Nation equity participation.

The former Aboriginal Renewable Energy Fund helped to eliminate barriers and encourage partnerships and participation in renewable energy projects by First Nation and Métis communities. Over \$8.5 million was committed under the Aboriginal Renewable Energy Fund.

A new streamlined program, the energy partnerships program, is in development and will provide funding to First Nation and Métis communities that are exploring partnerships on renewable energy projects and transmission projects, as well as development work on renewable energy projects.

Ontario's Aboriginal Community Energy Plan Program, or ACEP, continues to support First Nation and

Métis communities to understand and plan for their electricity needs and opportunities by developing a community energy plan. To date, over 44 communities have received Aboriginal Community Energy Plan Program funding.

We will continue to provide opportunities and support programs to encourage First Nation and Métis community involvement in Ontario's clean energy economy. The Aboriginal Loan Guarantee Program, or ALGP, supports First Nation and Métis communities' equity participation in renewable energy and transmission projects by providing a guarantee for up to 75% of the equity. To date, nearly \$200 million in guarantees has been provided to six projects.

Our government believes our First Nation and Métis communities have an important role to play in Ontario's energy future. We have taken significant steps to encourage and facilitate aboriginal participation in the energy sector, including support through the following programs: the Aboriginal Renewable Energy Fund, which was replaced by the energy partnership program; the Aboriginal Loan Guarantee Program; and the Aboriginal Community Energy Plan Program.

The large renewable procurement and FIT program continues to include incentives to encourage the participation of aboriginal communities, including an aboriginal adder and contract capacity set-asides.

Our government will continue to provide support for First Nation and Métis involvement in our clean energy economy.

At this point, I would like to ask Deputy Minister Imbrogno and ADM Michael Reid from the strategic, network and agency policy division to expand further on these points.

Mr. Serge Imbrogno: Thank you, Minister. I think I'll let Michael talk in a bit more detail. What I would say is, it really is a change in perspective of how we're engaging First Nations and Métis communities. It really is about finding ways to provide them with the opportunity to have equity in either generation or transmission facilities. So a lot of what we do is engage, provide support and make sure they have the opportunity to participate.

I think Michael can walk through how we're doing that through the FIT program, how we're doing that through LRP, like the minister said, and how we've done that in the past on transmission and what the opportunities are going forward.

The Chair (Ms. Cheri DiNovo): Mr. Reid, just to let you know, you have about six minutes.

Mr. Michael Reid: Okay. Thank you. It's Michael Reid, ADM of the strategic, network and agency policy division at the ministry.

Just to pick up on the points made by the minister and the deputy, engagement with aboriginal communities has been a long-standing pillar of Ontario energy policy. As the deputy mentioned as well, it is really about community economic development, so a lot of the emphasis has been on finding ways to help aboriginal communities take equity positions in renewable energy projects as well as transmission projects.

You started off the question asking about the long-term energy plan. During the 2013 long-term energy plan process we did quite an extensive roadshow devoted to First Nation and Métis communities. We went to about 10 cities all across the province, including up in the Far North, Kenora I guess being the most northern place that we went. We talked to a significant amount of people. It was about 100 communities in total, both First Nation and Métis, that were represented in those engagement and consultation sessions.

The feedback that we got through that process you can see reflected in the 2013 LTEP, where there's an actual entire chapter devoted to First Nation and Métis engagement in the energy sector. I think that has been quite a huge success story. The minister has already noted some of the significant numbers; for example, 65 communities participating in about 1,500 megawatts of clean energy, as well as transmission.

Of that generation, roughly half of it is through programs such as the feed-in tariff program. As the deputy mentioned, as we design things like the feed-in tariff program, there has been an emphasis on making sure that there are parts of the program that recognize the unique needs of aboriginal communities. For example, these programs contain things such as aboriginal adders, which is that a project with community aboriginal equity participation can receive an extra little bit of economic benefit to the program. The idea there was, it allows communities to become actively involved in discussions with developers and also enables communities to have some money that they can bring as equity to these projects.

Another half of that is large-scale projects outside of the feed-in tariff programs the minister has mentioned: the Lower Mattagami project, which was a very significant hydroelectric project with Ontario Power Generation. The minister also mentioned the Bruce-to-Milton transmission line, which was a very significant line built by Hydro One that now has roughly a third economic participation by the Saugeen Ojibway Nation, whose traditional territories are around the Bruce-to-Milton line area.

Those are fairly large and very significant examples of the engagement of First Nation communities in system and energy planning.

In terms of some of the other key ways that programs are designed to help encourage aboriginal equity participation, I've mentioned the price adder, but there are also additional things such as reduced security deposits for projects when they have a greater than 50% aboriginal participation.

Some of the newer programs have a points system that prioritizes projects if they include aboriginal participation or aboriginal support resolutions. Also, there has been what we call a set-aside of contract capacity for projects that have more than 50% of aboriginal participation. That's just a guaranteed allotment of megawatts that will go to these programs.

A lot of these programs were designed to recognize the unique challenges faced by First Nations and Métis communities. Those are access-to-capital issues. These

communities just don't tend to have money to invest in projects.

There are also, particularly with First Nations on reserve, real challenges with raising capital and figuring out how to actually do program financing. The minister mentioned the Aboriginal Loan Guarantee Program, for example. That was the province recognizing that there was this unique challenge in coming up with a program that helped to alleviate that by basically stepping in and guaranteeing third parties that lend to First Nation projects.

I think we're at the point now where there are real, successful models of how these partnerships work. Financial institutions and developers, as well as aboriginal communities themselves, are able to see success stories and to realize that there are these replicable models. When we talk about those large amounts of megawatts that currently have aboriginal participation, we expect those numbers to continue to grow and potentially even be able to access financing without needing to go through things like the Aboriginal Loan Guarantee Program because banks and developers do understand exactly how all these projects can actually be done.

In terms of continuing on as we continue to move through new rounds of things like large renewable procurement, mentioned by the deputy, as well as future rounds of the long-term energy plan, we continue to build upon these foundations that we've put in place, including making sure that we talk to communities about whether or not the programs are working or whether there are gaps that exist with these programs, as well as continuing to refine things like the points systems and the aboriginal adders.

The Chair (Ms. Cheri DiNovo): Mr. Reid, I believe your time is up.

We are going to take a five-minute break, to resume promptly at 5:20.

And it's still 5-0.

See you in five.

The committee recessed from 1713 to 1720.

The Chair (Ms. Cheri DiNovo): Okay, it's 5-1 and we are resuming with the opposition. Mr. Smith.

Mr. Todd Smith: My colleague Mr. Yakabuski must have gotten stuck at a television set somewhere since the Jays are rallying right now to get back in the game.

Let me resume where we were. Where were we? We are exporting power at a loss and we're paying for unaffordable microFIT contracts, and that's causing the global adjustment to rise astronomically here in Ontario. This is all separate from the actual kilowatt-per-hour price. That price is going to be adjusted in time for November 1 of this year.

My colleague Mr. Yakabuski is back, and I know he was looking forward to continuing to question you on the price of electricity in the province, so now that he is here, we'll let him resume where he left off last time.

Mr. John Yakabuski: I just suggest we take more breaks, because the Blue Jays are now 5-1 with men on second and third, one out, in the bottom of the third.

Interjection.

Mr. John Yakabuski: Three and two count?

Interjection.

Mr. John Yakabuski: Mine isn't quite that good. You should be paying that kind of attention to the committee.

I actually have a couple of different questions, because I am concerned about the impartiality of the OEB. I read their press release, and they made a very significant point of saying that 40% of this new increase was attributable to the costs of OPG's nuclear and hydroelectric system costs. And then, further in the press release, buried—it was never covered in the media—was that a third of the cost of the increase, fully one third, was due to your renewables program, but we never heard about that unless you dug into it.

My question is this: You must know precisely how much—what was the percentage of Ontario's electricity generated last year generated by Ontario Power Generation's nuclear and hydraulic fleet combined?

Mr. Serge Imbrogno: I would say roughly about 50%.

Mr. John Yakabuski: Roughly about 50%. So 50% of the generation—you can attribute 40% of the increased costs to 50% of the generation. So now my question would be, what percentage of Ontario's power generated last year came from your renewables, wind and solar? That's what they consider, for the purpose of this—wind and solar, your renewables. What was the percentage of Ontario's electricity generated that came from those two sources?

Mr. Serge Imbrogno: I'd have to get you the exact number. I don't have it handy.

Mr. John Yakabuski: Well, you gave me a rough one on the OPG.

Mr. Serge Imbrogno: I knew that from previous—

Mr. John Yakabuski: Okay. Give me your best guess, Deputy.

Mr. Serge Imbrogno: For wind and solar?

Mr. John Yakabuski: Yes.

Mr. Serge Imbrogno: I'd say less than 15%.

Mr. John Yakabuski: Less than 15%? You might as well have said less than 50%. How about 4%? Would that be more likely to be about the number?

Mr. Serge Imbrogno: In terms of managing capacity—

Mr. John Yakabuski: Not capacity. I'm not talking about capacity; I'm talking about energy generated. Of the number of terawatts that we produced last year in Ontario, what was the percentage of that number that came from wind and solar?

Mr. Serge Imbrogno: I think it would be in the 6%, 7%, 8% range.

Mr. John Yakabuski: I think you'd be high. However, you're going to get that number for us tomorrow. I'll have it myself, but we're going to get that.

So a third of the increase is attributable to, in your opinion, 6% or 7%; in my view, closer to 4% of the power produced in this province. Would that not have been an important part of the OEB's release? I guess my question is, how much control of the OEB's press release

is coming either from your office—not you, Deputy; the minister's office or the Premier's office? Because there seems to be a political overtone in this press release, trying to ensure that the government's programs are maybe not scrutinized in the way they should be.

Mr. Serge Imbrogno: The OEB is fully independent. Whatever press release they put out would reflect the OEB view. As I said, that Navigant report is fully disclosed on their website, which provides all the details of how the calculation is made. All the details are there.

Mr. John Yakabuski: Who makes the appointments to the Ontario Energy Board?

Mr. Serge Imbrogno: Well, the minister would make the appointment of the chair.

Mr. John Yakabuski: Right, including the chair. It could be speculated as to how independent any board is when the master appoints the board.

Hon. Bob Chiarelli: You know, that's an irresponsible—

Mr. John Yakabuski: No, it's not.

Hon. Bob Chiarelli: Let me finish. It's an irresponsible assumption that you're making.

Mr. John Yakabuski: I'm not making any assumption.

Hon. Bob Chiarelli: It's a quasi-judicial body that has decision-making authority. You know what? You're acting like Harper.

Mr. John Yakabuski: No, no, I'm not.

Hon. Bob Chiarelli: You're assuming like Harper, who criticizes the Supreme Court of Canada for the decisions they make.

Mr. John Yakabuski: I'm not—

The Chair (Ms. Cheri DiNovo): Okay, one at a time, please.

Hon. Bob Chiarelli: The Supreme Court of Canada is totally independent.

Mr. John Yakabuski: Minister, please, I'm not making any assumption at all; I'm questioning you. I'm questioning you.

Hon. Bob Chiarelli: The answer is no. None, none. The deputy answered for the bureaucracy. I'll answer for the Premier's office and my office: absolutely no influence in any way, shape or form.

Mr. John Yakabuski: None whatsoever?

Hon. Bob Chiarelli: None whatsoever—

Mr. John Yakabuski: No influence at all?

Hon. Bob Chiarelli: —in what comes out of the Ontario Energy Board, in terms of announcements, rates or any communications they make.

Mr. John Yakabuski: No influence whatsoever?

Hon. Bob Chiarelli: No.

Mr. John Yakabuski: Well, at least we have that on the record. I guess we can all make our own decisions as to how much of that we accept as being the truth, the whole truth and nothing but the truth.

Okay, let's go back to—Todd, where were we on the—where were you?

Mr. Todd Smith: Five to two at the top of fourth.

Mr. John Yakabuski: Let's go back to pricing figures. Let's recap—we're going back to pricing and the rate increases that are taking place on November 1.

Number one, if you measure effectiveness when one of your big boasts has been that you're going to mitigate and do what you can to control the increases in energy prices, even though your ministry and the policies of this government are the number one driver of those increases, one of the most critical indicators of your effectiveness would be how much you've done.

Let's just recap for a minute: Rates are going up by as much as \$230 next year, when you figure in cancelling the clean energy benefit. You're exporting power at a potential \$2-billion loss this year—it was already a billion dollars in the first six months; you're on pace for the global adjustment to go even higher than what the Auditor General said in her report, which was \$50 billion by the end of this year, since its inception; and you're selling Hydro One against the public's will.

Minister, with all of that, in your evaluation, do you think that would be defined as being effective?

Hon. Bob Chiarelli: Let's talk about energy exports; that's one of the items that you mentioned. Exporting electricity is good for Ontario—

Mr. John Yakabuski: It is if you're making money at it.

Hon. Bob Chiarelli: —both financially and for system operability.

Mr. John Yakabuski: Now, hold on.

Hon. Bob Chiarelli: We had a discussion, somewhat, about that this morning.

Mr. John Yakabuski: Well, Minister, exporting electricity is good for Ontario if you're making money at it—

Hon. Bob Chiarelli: Electricity exports bring revenue to Ontario that we would not otherwise receive—

Mr. John Yakabuski: —but it's not good if you're losing money at it.

Hon. Bob Chiarelli: —which reduces costs for Ontario consumers.

The Chair (Ms. Cheri DiNovo): One at a time.

1730

Hon. Bob Chiarelli: Revenue from electricity exports reduced costs for Ontario—

Mr. John Yakabuski: No, but he's just going on; that's not my question.

Hon. Bob Chiarelli: —by \$320 million in 2014.

Mr. John Yakabuski: If he wants to talk about energy exports, we'll talk about energy exports.

When you're losing money on energy exports, how is that a good thing? Without reading the notes, just tell me: When you're losing money at a potential, this year, of \$2 billion, how are energy exports a good thing? I can understand that if you're selling energy at a profit and making lots of money on it, that's a good thing; I agree. But if you're losing money, how can that be defined as—that would be like the retailer bragging that they sold 7,000 million widgets this year, but, "Oh, we sold them at a \$1 loss on each widget." Well, that's not a good thing.

They might have had a really good year in selling widgets, but they didn't have a very good year financially.

You need to juxtapose that and tell me how you can say that energy exports is a good thing if every megawatt that you export is sold at a loss, when you're selling it at less than you produce it.

General Motors wouldn't stay in the business of selling cars if they sold every one at a loss. So I need you to explain to me, in the short version, how selling energy at a loss could be considered a good thing.

Hon. Bob Chiarelli: You're a very fair-minded individual; I know that.

Mr. John Yakabuski: Yes, absolutely.

Hon. Bob Chiarelli: I would ask you to do me the courtesy of giving me as much time to answer the question as you did to place the question. Is that fair?

Mr. John Yakabuski: Okay, I'll do that. That's fair.

Hon. Bob Chiarelli: Okay, good. Thank you.

Mr. John Yakabuski: You're a good negotiator.

Hon. Bob Chiarelli: Okay. A good electricity system has a mix of energy sources: nuclear power, gas, renewables etc. A good electricity system should have a surplus or a reserve—unlike your former government—

Mr. John Yakabuski: Oh, motive.

Hon. Bob Chiarelli: No, fact; you were importing \$1 billion a year in expensive electricity because you had a deficit. We've rebuilt the system so we have enough generation to meet surplus plus significant contingencies like big ice storms, floods or whatever. You need that surplus, okay? You need that capacity.

Part of the discussion we had this morning, you'll recall, was how the IESO operates the system. Now I'm going to give you an example and it has to do with baseball. I'm going to use an example of baseball, particularly playoff or World Series baseball, because the IESO has to plan for one million or two million television sets coming on to watch the baseball game. So they get their nuclear plant or their gas plants ramped up to supply that. Lo and behold, do you know what happens? The game is postponed because of rain, and they've got to ramp all that down. They've got all this power starting to generate up, and you know what they do with it? They sell it instead of throwing it away.

Last year, by doing that, they made \$320 million to the good, reducing the costs by exercising that type of management of the system. That's an example. It could just as easily be Crosby and the NHL, so it's summer and winter. They've got to ramp up; they've got to ramp down. So that's where the \$320 million positive comes from. We do not generate electricity for purposes of resale; we sell electricity when it's necessary to operate the system, to modify, to balance the system between demand and generation. That's the short answer to the question.

The long answer to the question—

Mr. John Yakabuski: You're just about out of time.

Hon. Bob Chiarelli: Sorry?

Mr. John Yakabuski: I've given you enough time. Now, you're just about out.

Hon. Bob Chiarelli: We're about equal now. Okay, you can go again.

Mr. John Yakabuski: Well, that's a very nice analogy, Minister, except that there ain't that many postponed baseball games or postponed hockey games. It's—

Hon. Bob Chiarelli: But there are floods, there are ice storms, there are hockey games—

Mr. John Yakabuski: Oh, well, yes. I know. I understand the contingency, but when you're talking about the number that we spoke about—and in June alone, \$221 million; one month, \$221 million. Now, that is not because the IESO ordered people to ramp it up and then the demand changed.

Hon. Bob Chiarelli: Yes, it is.

Mr. John Yakabuski: No. That is because there was power coming into the system that you couldn't control. It was coming in because your demands were not up to your production. Much of that came from renewables.

The Chair (Ms. Cheri DiNovo): Mr. Yakabuski, you have about five minutes left. And it is 5-2.

Mr. John Yakabuski: Thank you. So 5-2, Blue Jays. I hope by the time I'm done, they're leading.

Hon. Bob Chiarelli: If that's how it works, you just keep talking for the next hour.

Mr. John Yakabuski: When I'm talking, the Blue Jays do well.

When you're talking that amount of money in that short period of time, you can't explain that away by calling that an IESO miscalculation.

Hon. Bob Chiarelli: It's not a miscalculation; it's part of operating the system.

Mr. John Yakabuski: But these are historical numbers, Minister. If that was the case, then we would have seen this every year since we've been in the electricity trading business, and that's long before you and I got here. Those interties existed long before you and I got here. We've been trading electricity back and forth for a long time. You can't explain that away by simply saying the IESO was a little high this month or that month. No. This has changed.

Now, could I ask the deputy to provide this committee with an accounting for the past 30 years of our imports and exports, and the financial accounting for that—whether we lost, whether we made—for the last 30 years? Imports, exports; lost, made; paid, got paid for—for the last 30 years. Could you provide that for us?

Mr. Serge Imbrogno: I don't have that handy.

Mr. John Yakabuski: No, I didn't think you had it in your pocket.

Mr. Serge Imbrogno: I would just refer you to the IESO website. That would have a historic documentation of imports and exports.

Mr. John Yakabuski: I'm not that good at websites. I'm having a hard time figuring out—she has to tell me how the Blue Jays are doing. So could you do that for us? You've got people on staff who are experts in computers.

Hon. Bob Chiarelli: It must be at least 5-3 by now.

Mr. John Yakabuski: Could you provide that?

Mr. Serge Imbrogno: What I would provide you with is just what is on the IESO website.

Mr. John Yakabuski: Okay, that's fine. But you'll do it in a way that I can read it easier.

Mr. Serge Imbrogno: I'll just copy what's on the IESO website and provide it to the committee.

Mr. John Yakabuski: That's fine. If you could have that for the committee, I'd appreciate it. I want to compare year to year and see how it's changed, particularly in the last six years. That's what I want to see. I want to see how it's changed in the last six years to see if those numbers are actually consistent or if they've changed.

Based on what the people are paying for electricity, we have to believe that those numbers have changed, that the amount of electricity that we're selling at a loss has gone up. We'd like to be able to verify that. If that's part of what is driving up the electricity bills for your average homeowner, then we have a problem in the way that we're forecasting.

Hon. Bob Chiarelli: We know that between 1995 and 2003, it's a one-way street. We were importing a billion dollars a year because the system—

Mr. John Yakabuski: You seem to know a lot about 1995 to 2003. We really want to know about what happened since you guys took office.

Hon. Bob Chiarelli: Last year, for 2014, I already told you it was \$320 million to the good.

Mr. John Yakabuski: No, that's what you got for electricity. That's the electricity that you made money on. You're not calculating the electricity. Are you saying that you netted \$320 million to the good?

Interjections.

Mr. John Yakabuski: Chair, could I—

The Chair (Ms. Cheri DiNovo): Yes, let's have a two-way conversation, please.

Mr. John Yakabuski: Are you suggesting that we actually had a \$320-million surplus in our trading of electricity last year?

Hon. Bob Chiarelli: What I'm saying is we do not generate electricity for purposes of export—

Mr. John Yakabuski: No. Are you suggesting that we had a \$320-million surplus in the back-and-forth trading of electricity last year?

Hon. Bob Chiarelli: We netted \$320 million on our purchasing and sale of electricity last year.

Mr. John Yakabuski: As a net, we were \$320 million to the good, is what you're saying.

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: I would love to see the documentation of that. If that's the case, then we're even doing worse. If that's the case and you're driving up these prices this much—if you're driving up prices this much and you're suggesting that the trading of electricity is a net positive for us, then your management is even worse than I suspected it was before.

I'd like to have documentation showing that we actually netted \$320 million to the good in the back-and-forth trading of electricity. When I say \$320 million, I'm

talking about the market-value price of electricity versus the cost we spent to generate it. The cost we spent to generate it versus the price we sold it at: If it was underneath that price, if the price we sold it at was underneath the price we generated it for, that has to be considered a loss.

1740

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Yakabuski. I'm afraid time is up for the official opposition. We now move to the third party, Mr. Tabuns.

Mr. Peter Tabuns: Minister, going to another area, Ontario Power Generation put out an update in June saying the planning phase cost for the Darlington refurbishment had reached \$1.8 billion. Does the estimated cost of the Darlington refurbishment include the planning phase costs?

Hon. Bob Chiarelli: Would you ask that question again? Sorry.

Mr. Peter Tabuns: Yes. In June, OPG put out an update saying that the cost of the planning phase had reached \$1.8 billion. Does the estimated cost of the Darlington refurbishment include the planning phase costs?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: Yes. That would be part of the total that OPG has talked about publicly.

Mr. Peter Tabuns: Okay. Thank you.

We were talking a few meetings ago about the new framework for setting rates for the refurbishments at Darlington, and you were talking about the volatility from the refurbishment. Does the cost projection for rates in the long-term energy plan from 2013 reflect the volatility that you expressed concern about?

Hon. Bob Chiarelli: Sorry. What's the question again?

Mr. Peter Tabuns: When you set the long-term energy plan projected rates in December 2013, did those rate increases reflect the volatility that you are worried about when it comes to the refurbishment of the Darlington nuclear reactors?

Hon. Bob Chiarelli: I don't believe there was anything particular done at that time to deal with the volatility. The volatility that we referred to when we dealt with this a week or so ago had to do with how the phasing and the construction and the operations of the refurbishment would proceed. A lot of the costs were being incurred not on a regular basis, but the costs would spike periodically. We thought it was prudent to try to smooth those out so that the impact on the ratepayer would be more balanced and more fair than having the unusual gyrations that might occur because of that.

Mr. Peter Tabuns: So the long-term energy plan projections didn't include that spikiness. It was smoothed out in your projection.

Mr. Serge Imbrogno: No. I think what the minister said was we didn't smooth it out in the long-term energy plan. It was whatever the rates were forecast at the time, so there's no smoothing in the long-term energy plan.

Mr. Peter Tabuns: So the long-term energy plan price projections include the occasional spike?

Hon. Bob Chiarelli: In 2013—I guess in 2012, leading up to December 2013—they were done on the basis of the facts that we knew at that time. Since that time, we've made several decisions with respect to the refurbishment moving forward. Number one, you will recall that we indicated that we're not going to lap the refurbishment so we're doing one, and before we finish it, we start the next. We're not doing it that way—that's the way it was originally planned—because we want to have the option to curtail them. Because we've unlapped them, that has created the up and down, rather than having been done on an overlapping basis. That's created those gyrations which have to be addressed at this point.

Mr. Peter Tabuns: Can you tell us what the scale of that spike is?

Hon. Bob Chiarelli: I don't have it by memory.

Mr. Serge Imbrogno: I can check. In our long-term energy plan, we have modules that are public. I can check the modules to see if there is any release of that information.

Mr. Peter Tabuns: Okay, if we could have that in the record, that that will be a report that will be coming back. You'll be looking at a long-term energy plan and coming and telling us what the impact will be.

Mr. Serge Imbrogno: We have six modules that we made public that give the details behind the projections, so I can provide that. Hopefully, that provides an answer to your question.

Mr. Peter Tabuns: Hopefully. We'll find out.

In January 2013, it was reported that overseers were going to be hired by OPG and the Ministry of Energy to keep tabs on the Darlington refurbishment. One of those overseers was going to report to OPG and one was going to report to the Ministry of Energy. Could you tell us the status of those two sets of overseers?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: OPG has an extensive oversight process embedded within OPG. The ministry also procured an oversight adviser who's embedded in OPG and provides regular reports—

Mr. Peter Tabuns: Are those regular reports publicly available?

Mr. Serge Imbrogno: No, because they're all based on commercial information that's not public yet. I think those reports have not been made public.

Mr. Peter Tabuns: Now, it's my recollection that one set of reports was made available last year and that I asked you about this in estimates, because, in fact, there was a substantial overrun in one of the first projects. The project came in at \$500 million rather than \$300 million.

Hon. Bob Chiarelli: No, not correct. First of all, there wasn't an overrun in the project. What we had at that time was a report indicating the costs of the planning and the early implementation. Those costs contained a number of different subsections. I think one or two of the subsections were over budget, and there were a number of the other subsections of the global work that were significantly under budget. When you took them collectively, they were within the budget framework.

Mr. Serge Imbrogno: OPG publicly reports. So in June 2015, they provided a public report on the Darlington refurbishment project and they broke it down by the different categories of costs. I think that a part of that was an overrun on one particular part, but within the whole budget, they're reporting that they're still on track.

Mr. Peter Tabuns: Could you table that report for this committee?

Mr. Serge Imbrogno: Absolutely. I have a copy here, but I'll table it.

Mr. Peter Tabuns: That would be great. If you could table it, if that's in the record, so that all members of the committee could have that? Thank you.

With regard to new nuclear—something that you mentioned earlier today, Minister. You said that one of the things you've done to try and contain costs was defer construction of any new nuclear facilities, saying that new nuclear would be twice the cost of refurbishment. Why is it that we're continuing to spend money, \$1.6 million—I mean, in the scheme of things, it's not the biggest amount that we've seen, but still, it's \$1.6 million that we otherwise could use for more productive things. Why are we are we spending money to retain a licence for new nuclear build when the cost is so completely outside what we're willing to spend?

Mr. Serge Imbrogno: I'd say that we think it's prudent. OPG has a 10-year licence that they need to maintain with the CNSC, so there are costs related to that. Instead of letting that 10-year licence fade, OPG is maintaining it. It leaves the option value open for the government, and future governments, in the next long-term energy plan. So we think it's a prudent investment to keep that 10-year licence alive.

Mr. Peter Tabuns: But you've said that the cost of new nuclear would be double the cost of refurbishment. I think the last time we looked at the cost of refurbishment, we're looking at somewhere in the 8.5 to 8.9 cents per kilowatt hour—

Hon. Bob Chiarelli: There are innovations in the nuclear sector. One of the most significant areas of innovation is—is it small nuclear?

Mr. Serge Imbrogno: Small modular reactors.

Hon. Bob Chiarelli: Small modular reactors. There's a significant amount of research being done. These are units that will produce a smaller number of megawatts, as low as, I think, 150 megawatts of nuclear. They can be stacked. There's some reasonably reliable professionals and advisers who are indicating that it might be feasible to be going into that type of nuclear in the not-too-distant future. That's part of the background around nuclear. The sector is changing—

Mr. Peter Tabuns: Fair enough, but if that's the case, are you saying that the licence is for any kind of nuclear technology whatsoever? I would have thought it was specific to a particular technology.

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Mr. Serge Imbrogno: It was broader than one technology.

Mr. Peter Tabuns: So it's just about anything that—

Mr. Serge Imbrogno: I would say it's just about anything. If it's an SMR technology, it'll be—

Mr. Peter Tabuns: Sorry. What's an SMR?

Mr. Serge Imbrogno: A small modular reactor. In the future, if that's the case, they would have to be licensed by the CNSC and then approved at that site. It would be more likely to be approved if they have an existing licence that they would change rather than start the process over again.

Mr. Peter Tabuns: Moving on to peaking power, what are we currently paying for the most expensive peak power that we obtain in Ontario?

Hon. Bob Chiarelli: Currently or starting November 1?

Mr. Peter Tabuns: Currently.

Mr. Serge Imbrogno: In terms of peaking power, it would be—

Mr. Peter Tabuns: Sorry. I realize there was a lack of clarity in my question if you raise this question of November 1. What is it that generating stations are paid for their highest peaking power, not what is it that customers are paying for peaking power?

Mr. Serge Imbrogno: There are facilities that provide capacity that we don't expect to run—only if we really need them on very severe peaking. So they would have a high variable cost and a low capacity cost: something like Atikokan biomass or Thunder Bay, where you don't expect them to run all the time; only on a very peaky day. I don't have the exact cost, but you'd have to do a calculation and say, how many times are they running versus what is the invested capital in that site?

Mr. Peter Tabuns: Okay. I think I understand your answer. So when we're talking about the cost of providing peak power, we're talking not just about the cost of operating the facility on that day but the cost of keeping it in position, available, 12 months in the year. Is that what you're saying to me?

Mr. Serge Imbrogno: Yes. We would pay for the capacity, and then when it actually runs, there would be a charge in the market. That would reduce the contracted price, but you're still paying for that capacity for the year. The marginal cost, the variable cost, is quite high because it's using biomass. It would be lower for natural gas.

Mr. Peter Tabuns: So what is the marginal cost?

Mr. Serge Imbrogno: I don't have that handy, but—

Mr. Peter Tabuns: Could you provide that to us?

Mr. Serge Imbrogno: I will check to see what's publicly available.

Mr. Peter Tabuns: Is there a reason it wouldn't be publicly available?

Mr. Serge Imbrogno: It could be part of the contract between OPG and the IESO.

Mr. Peter Tabuns: Doesn't the IESO post the actual cost of power every hour?

Mr. Serge Imbrogno: They would post the cost of power, but I don't think they'd provide individual contract information by generator.

Mr. Peter Tabuns: You know what? I don't need the individual contract amount for each different plant, but I would like to know what we pay for the most expensive peaking power in Ontario. You can give me an average. You can look at a variety of plants. You can blend them together. I'd like to know what it is that we pay through the IESO for that very expensive peaking power.

Mr. Serge Imbrogno: Yes, and understanding that could maybe be for an hour, it could be for half an hour. I don't want you to get the impression that that is the cost of peaking power at all hours.

Mr. Peter Tabuns: No, no. I would like to know the peak of the peak, the highest price for peak power at those exceptionally spiky moments. But can you also tell us what the average cost is to maintain capacity for these peaking plants?

Mr. Serge Imbrogno: Sorry. Was that a question?

Mr. Peter Tabuns: Yes, it was. Can you tell us what the average cost is for maintaining this capacity in reserve for use when we need it on a particularly cold or particularly hot day?

Mr. Serge Imbrogno: On average across the system?

Mr. Peter Tabuns: Yes, that would be fine.

Mr. Serge Imbrogno: I think there's a calculation about contracts and—

Mr. Peter Tabuns: Yes. I don't need the individual contract for a particular plant, say, down in Windsor. I just need to know what the average is across the system per megawatt capacity that we're keeping in reserve.

Mr. Serge Imbrogno: We have Ontario energy reporting. It's extensive information that we provide on the Ontario electricity system. There's a lot of public information. We've had a lot of stakeholders ask us for specifics, so there's a wealth of information on our website. I will find that information, but I'm just flagging that we have been very transparent and provided a lot of information on how the system works, the cost of the system, demand—

Mr. Peter Tabuns: I won't even argue that, Deputy Minister. I know that some people are better at finding this information than others, and sometimes I have difficulty finding it. If you can find it and give it to us—provide it to the committee—that would be useful.

Has the cost of peaking power gone up sharply in Ontario in the last few years as the cost of natural gas has been coming down?

Mr. Serge Imbrogno: Sorry, could you repeat that?

Mr. Peter Tabuns: Has the cost of peaking power in Ontario gone up sharply in the last few years, given that the cost of natural gas has been on a largely downward trajectory?

Mr. Serge Imbrogno: I'm hesitating on answering that because a lot of the time peaking power is supplied by natural gas, so the hourly energy price would be affected by the marginal cost of natural gas, which has come down.

Mr. Peter Tabuns: Has the cost of providing peaking power in Ontario gone up as sharply as the cost of time-of-use rates for peak power in Ontario?

Mr. Serge Imbrogno: Are you referring to how the OEB makes the calculation, in terms of what they allocate to peaking?

Mr. Peter Tabuns: What does it cost the system? Has the cost of peaking power been going up in Ontario very sharply? Has it been going up 25% in a year?

Mr. Serge Imbrogno: Part of it is how you make that calculation of what you allocate to peaking. So you'd have to look at what the—

Mr. Peter Tabuns: I'm sorry, I'm getting a bit of noise from over there.

Mr. Serge Imbrogno: You would have to look at how the OEB allocates cost to peaking—on-peak, off-peak—and have they changed their calculation over time. Part of it is providing an incentive for conservation, so you'd want to put more on to the peaking part of it. It's possible that their calculation has changed in response to trying to send a conservation message.

Mr. Peter Tabuns: If we could see those calculations, that would be appreciated.

Mr. Serge Imbrogno: I think, as I've said, they have Navigant that would do a study for them each year that would provide all the detail on their methodology.

Mr. Peter Tabuns: Could you provide us with the link for the Navigant study?

Mr. Serge Imbrogno: Yes, I can do that.

Mr. Peter Tabuns: Okay. I don't have much time left, I think. When I look at projections in Ontario's Climate Change Update for 2014, it shows a huge growth in greenhouse gas emissions from gas plants in Ontario through the 2020s, with a range from about four megatonnes of CO₂ equivalent up to as much as 13 or 14 megatonnes. What are your plans to ensure that we don't fail to meet our greenhouse gas emission reductions? What's your plan to ensure that we do meet them, by keeping these emissions down?

Mr. Serge Imbrogno: I don't have what you have in front of you, but—

Mr. Peter Tabuns: If you take a look, there's a very substantial increase in emissions from gas-fired power in Ontario in the 2020s. There's a potential for very substantial increase by 2030. It would be very difficult for Ontario to meet its greenhouse gas reduction targets. What are your plans to ensure that we, in fact, meet our greenhouse gas reduction targets in this field?

Mr. Serge Imbrogno: Part of what you're seeing there in that range is what happens when we start to refurbish our nuclear units. What happens when Pickering comes off? Part of that discussion we're now having with the province of Quebec is, as we're into refurbishment, can we economically use Quebec to fill that gap rather than running natural gas? So that's a discussion we're having now with Quebec, as one of the plans.

The Chair (Ms. Cheri DiNovo): I'm afraid we are out of time. By the way, we have three hours and 21 minutes remaining with the Ministry of Energy.

We will adjourn until tomorrow at 3:45. And it's still 5-2. Thank you.

The committee adjourned at 1800.

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Standing Committee on Estimates

Ministry of Energy

Comité permanent des budgets des dépenses

Ministère de l'Énergie



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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 21 October 2015

Mercredi 21 octobre 2015

The committee met at 1553 in committee room 1.

COMMITTEE BUSINESS

The Chair (Ms. Cheri DiNovo): Welcome back. Good afternoon. Before we resume consideration of the estimates of the Ministry of Energy, there was a motion brought forward by Mr. Smith yesterday, concerning our committee holding its meetings in room 151, that I said we would revisit today.

I would first like to point out that there are no scheduling conflicts on Tuesday mornings and Wednesday afternoons in room 151. That was a question asked.

To the point raised yesterday concerning proper consultation of the Standing Committee on Social Policy: I've received word from the Chair of that committee, Mr. Tabuns, indicating that he has consulted with all members of their subcommittee and there are no objections to the swapping of rooms.

Those concerns having been addressed, I would ask whether the official opposition would like to move their motion again. Mr. Smith.

Mr. Todd Smith: I would be happy to move the motion again.

The Chair (Ms. Cheri DiNovo): Okay, so then we have a vote.

Shall the motion carry? If all say yes—

Interjections.

The Chair (Ms. Cheri DiNovo): Okay, so we're all in favour. Fine. It's carried. That means we will meet next Tuesday morning in room 151.

Yes, Mr. Delaney?

Mr. Bob Delaney: I'd just like to say I want to thank the Chair for the due diligence on answering the questions raised by the government. The government had no objections at the time, other than not to presume the will of the other committees, and we are happy to accede in this request to move to 151.

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Delaney. The Chair likes it when you say nice things about her. Thank you.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): We are here to resume, then, the consideration of the estimates of the Ministry of Energy. There is a total of three hours and 21 minutes remaining.

Minister, do you or your ministry staff have any responses to outstanding questions from the committee that you would like to table with the Clerk?

Hon. Bob Chiarelli: No.

The Chair (Ms. Cheri DiNovo): When the committee adjourned yesterday, the government was about to begin its turn in the question rotation. Please proceed, Mr. Delaney.

Mr. Bob Delaney: Any member who visits a school—and particularly in my own case where I'll visit with my grade 5s and follow up five years later with the grade 10s in high school—will know that among the things that kids are most enthusiastic about are means of conserving energy, to the point where I can remember going into a public school and they were mounting a big battery drive to collect used batteries to be recycled. Now, of course, we're able to recycle used batteries and, in part, they can be recycled into new batteries.

As we've seen the initiative come from youth themselves, it's important that children learn conservation—what it means and how it's going to benefit their families, their community and ultimately their nation. Kids have some very strong ideas on the intelligent use of the resources that their country and indeed their world offer. They often have some very interesting suggestions to make.

The essence of what some of the kids have told me over the last five years I've brought in and discussed, both before and during the time I've had the privilege of being part of the Ministry of Energy. This is an issue that makes a big difference to me and, to that end, of course, I do want to put on the record my thanks to a lot of the kids in the elementary and secondary schools in Lisgar, Meadowvale and Streetsville in the city of Mississauga and to commend them on the initiative that they show. To visit the science fairs you see that some of the most innovative projects are ones that deal with conservation, how to close the loop, if you wish, on our consumption of products, our consumption of energy and how to use and reuse those things that we do have.

It isn't something that kids are unaware of, but they're often looking to us in government to say, "What do you do to keep us from spinning our wheels and reinventing some of the things that people have thought of in other areas of the province and how do you focus our efforts and our initiatives on things that are worthwhile and things that can help Ontario do better with the resources it does put into play?"

I thought we would spend a little bit of time here in estimates, while this is on the record, talking about what Ontario is doing to educate the province's youth on the importance of energy conservation, and I know the minister probably has some interesting points to enlighten us with.

Hon. Bob Chiarelli: Thank you very much for the question. I have spent a considerable period of time in schools, probably more as mayor and regional chair than as Minister of Energy, but I'm doing some of it as Minister of Energy as well.

Grade 5 classes across Ontario do a unit on federal, provincial and municipal government, and they're exposed to a lot of issues around conservation, the environment and so on and so forth. Quite surprisingly, they are very, very well versed, and if you talk to the teachers in those classes, they will tell you that often the kids know more than their parents, and they bring information home for their parents on recycling and environmental issues. So it generates a good synergy between the student and their parents as well.

Energy conservation education and awareness provides consumers with information to better understand the benefits of energy conservation and to empower them to make informed decisions about their energy use choices and consumption behaviour. To inspire further action and behavioural changes, Ontario is building consumer awareness of the benefits of conservation and understanding of the electricity system as a whole, including expanding energy awareness in schools.

1600

The government is working with the non-profit group called Ontario EcoSchools to bring more information about energy conservation into classrooms. Last year, 2013-14, the Ministry of Energy provided the EcoSchools organization with approximately \$100,000 in funding to implement a new energy conservation education teacher professional development program. In 2014-15, the ministry is funding EcoSchools for approximately \$200,000 to expand their energy conservation education teacher professional development program.

The Ministry of Energy is providing multi-year funding—2015-16 to 2017-18—to Ontario EcoSchools, which helps support the engagement of more EcoSchools, sustain and retain participation of already committed EcoSchools and create stronger EcoSchools by increasing participation in the highest certification levels.

I just want to repeat that this is a non-profit group. It is managed by about four or five young people in their mid-twenties. They are reaching out through this program, touching a million students across the province. They do it by approaching school boards and if a school board buys into it, then the school board will put out to all the schools in the school board system whether they want this to occur. It's extracurricular. It's been a spectacular success.

The multi-year funding will enable EcoSchools to engage over 2,450 schools and 62 school boards in

Ontario, reaching approximately 4,500 teacher-leaders and one million students in grades K through 12. Approximately 1,000 of the 4,500 teachers reached will be new teachers, representing all grades. New teachers are in the most need of energy conservation education as they have not yet implemented the EcoSchools program in their schools. The in-class lessons will reach the spectrum of grades K to 12.

Ministry of Energy staff have participated in a working group with Algonquin College and subject matter experts to develop an energy management program and curriculum, with oversight and guidance provided by the Ministry of Training, Colleges and Universities. Once consumers better understand the benefits of energy conservation, they will be empowered to make more informed decisions about their energy usage.

As I said, I've attended a number of those schools as Minister of Energy. It's really exciting to go in and see these young people grasp and take on the conservation issues, the environmental issues. They're excited to show you what they're doing. They bring you through the school and show you the wonderful things they're doing—also, the products they bring home to their parents to try to educate their parents.

I coined a name for these students. I call them *ecokids*, and that's what they are. They're just very, very well-informed. The other thing that's really impressive is that it was initiated by and driven by these 24-, 25-year-old—they're all women, incidentally, who are engaged with the organization.

With that, I am going to ask Deputy Minister Imbrogno and ADM Kaili Sermat-Harding to expand on that a bit.

Mr. Serge Imbrogno: Thank you, Minister. Kaili and her group have been working closely with EcoSchools for the last number of years. It's also supported by the Ministry of Education as well, so it's jointly funded. I know recently, we provided more funding for EcoSchools to expand the program. I think Kaili can give you a bit more detail on what the program is about, what it has achieved so far and what we expect it to achieve in the future.

Ms. Kaili Sermat-Harding: Thank you, Minister and Deputy. My name is Kaili Sermat-Harding. I'm the assistant deputy minister of the ministry's conservation and renewable energy division.

Thank you very much for the question. It's certainly a program that we're very excited about. We have been working quite closely with EcoSchools over the last couple of years now to help support the program and see its continued involvement and, in fact, expansion across schools in Ontario.

It's probably worth noting that during our outreach and consultations on the 2013 long-term energy plan, the theme around the importance of educating youth about energy conservation and using energy wisely, and the role that students can play in championing that both in their school environments and at home, was frequently raised in the communities that we visited and by the groups and

individuals that we spoke with. Through the ministry support of Ontario EcoSchools, we are pleased to be championing conservation education in the province, with a focus on youth.

Ontario EcoSchools is an environmental education and certification program, for grades kindergarten through to 12, that helps school communities develop ecological literacy and environmental and conservation practices in order to become environmentally responsible citizens and to reduce the ecological footprint of schools.

EcoSchools' vision—"Every school an EcoSchool"—is that all students and staff in Ontario schools will be engaged in environmental education and practices, developing the knowledge, skills, perspectives and actions needed to be environmentally responsible citizens.

The program was developed originally by the Toronto District School Board in 2002. In 2005, seven school boards, York University and the Toronto and Region Conservation Authority adapted the program and expanded it across the province to become Ontario EcoSchools.

It is the largest environmental education program in the province, and school boards are able to access the program free of charge. This helps to ensure equitable participation in the program.

EcoSchools has also partnered with many environmental organizations, including Earth Day Canada, Back to Nature Network and the Toronto and Region Conservation Authority.

The program allows schools and school boards to implement conservation education tailored to their local needs. Its framework also allows schools and school boards to work with many different programs, organizations and teacher-created and -tested resources in order to maximize the impact on students, staff and the energy conservation practices in the school community.

The program has four guiding principles, namely, student-centered learning, innovation, accountability and building capacity.

The cornerstone of the program is its unique certification program that serves as a road map for schools in developing energy literacy and environmental practices. The program builds energy literacy in four key ways:

- promoting student-led awareness campaigns;
- assisting student-led energy inquiry examining the long-term impacts of choices, both financial and ecological;
- providing resources to teachers and year-round support; and
- providing resources to students and parents regarding how they can be more efficient at home and in their vehicles.

The certification process provides a rigorous, province-wide set of criteria to assess achievement of environmentally responsible actions and learning. There are four levels of EcoSchools certification, including bronze, silver, gold and platinum, that schools can achieve. These levels allow schools to work toward collective goals and deepen student engagement. Platinum

certification allows high-achieving schools to deepen their existing program through opportunities that further engage students in environmental learning and practice.

The level of certification is based on the number of points achieved by a school in six different program sections that act as a road map to identify areas where students can take action.

These sections include, first, teamwork and leadership. In this section, schools build strong EcoTeams and develop effective school-wide communications via regular meetings, displays, assemblies and other activities. The EcoTeams build student leadership through planning and implementing actions and campaigns.

Energy conservation: This action-oriented section focuses on daily practices to reduce school energy consumption. This can include conserving heat and air conditioning through simple practices such as closing the blinds; and turning off lights and equipment in classrooms and throughout the school when not in use. This section also encourages schools to monitor daily practices and share results with the whole school.

The third section is waste minimization, and this encourages schools to reduce waste while tracking and reporting on progress to the whole school.

Fourth is school ground greening. This section engages students in creating vibrant, rich environments for learning on school grounds.

Curriculum is fifth, and it integrates environmental learning in and outside of the classroom.

Last is environmental stewardship, fostering whole-school campaigns on specific environmental issues.

EcoTeams can pick and choose what they would like to implement throughout the school year, connecting environmental learning with daily practices.

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While the benefits of supporting EcoSchools are many, I'd like to take a moment to highlight five key benefits for the province. These include empowering youth to be environmental citizens, developing ecological literacy, building a whole school community, strengthening capacity in the Ontario school system, and joining a province-wide network.

With respect to ministry funding, the minister outlined the ministry's commitments to date. I'm pleased to provide just a little bit of further information. The funding in 2013-14 helped support teacher professional development as it relates to energy conservation education, in-class learning through implementation of new learning activities from the school's workshop webinar sessions and resource package materials, and schools certifying in the Ontario EcoSchools program, implementing energy conservation practices and action plans to improve energy conservation.

Those highlights, then, for that funding included 1,745 schools that were certified from 53 boards, 671 teachers from 451 schools, and 39 boards were directly supported through workshops and webinars; seven out of 10 EcoSchools were engaged in school ground greening projects in 2013-14; and participation of one new board—namely

Sudbury Catholic—in certification as a result of attending a workshop.

With respect to the 2014-15 funding, which was approximately \$200,000, there are a number of highlights as well to report. In this instance, it was 1,765 schools certified from 52 boards; growth of the platinum program from 19 schools certified in 2013-14 to 49 in 2014-15; over 1,800 teacher and student participants in workshops and webinars with a 38% increase in teacher participation; and the development of three new environmental kits. Some 58% of certified schools participated in energy-focused campaigns such as Earth Hour, sweater day and Lights Off Lunch. Over 1,000 school visits were conducted and over 43,000 EcoTeam members were engaged, and lastly, over 713,000 total students reached.

This year's funding, which the minister noted, will be multi-year funding. We anticipate that it will enable EcoSchools to engage over 2,400 schools and 62 school boards, reaching approximately 4,500 teacher-leaders and one million students in grades kindergarten through 12. Approximately 1,000 of the 4,500 teachers, as the minister noted, will involve new teachers representing all grades.

In conclusion, the ministry looks forward to continuing our relationship with Ontario EcoSchools through this multi-year agreement. Supporting EcoSchools demonstrates the province's ongoing commitment to the importance of educating Ontario's youth about energy conservation and encouraging actions that save energy and help to create more sustainable communities.

The Chair (Ms. Cheri DiNovo): You have two minutes left.

Ms. Kaili Sermat-Harding: I did touch only very briefly on the program key highlights; there were five. Maybe I can just go back and highlight a little bit more on those since I've got a few minutes.

With respect to empowering youth to be environmental citizens, Ontario EcoSchools reaches over 730,000 students every year from kindergarten through grade 12. A student-centered focus develops leadership skills through ecological practices, and the eco-review process helps schools implement environmental action plans.

Developing ecological literacy: This combined with action falls within the sphere of student influence. Teaching resources are linked to the Ontario curriculum and the program kick-starts a systems approach, which is at the heart of ecological literacy.

Regarding building a whole school community, the certification process provides recognition, assessment and a celebration of achievements on an annual basis. There are numerous opportunities for everyone in the school community to work together, and the EcoSchools program creates multi-stakeholder EcoTeams within both the schools and the school board.

With respect to strengthening capacity in the school system itself, the classroom learning and curriculum become aligned with school operations and facilities. Using EcoSchools, school boards create and implement board-wide waste minimization and energy conservation

standards, and Ontario EcoSchools share best practices to inform environmental education at every level of the school system.

Regarding joining the province-wide network, participating schools come from rural and urban areas, northern regions, and include French-language schools. Of note, between the 2012 and 2013—

The Chair (Ms. Cheri DiNovo): I'm afraid you are now out of time. Thank you very much.

We will move to the official opposition: Mr. Wilson.

Mr. Jim Wilson: Minister and Deputy, good afternoon.

Minister, I've handed you a memo which I'm going to read into the record, with everyone's good graces. It might take me a few minutes. They're questions that were prepared by a councillor with the township of Clearview, Kevin Elwood. Kevin is our local expert on the wpd Canada proposal to build eight industrial wind turbines in Clearview township, in close proximity—and in fact on the flight paths—of the Collingwood Regional Airport. As you know, Minister, I've raised this issue several times in the House.

What I think is unique about this particular proposal is that it is within the flight paths which the federal government seems to have chosen not to have any jurisdiction on in terms of—they have jurisdiction, but they have chosen not to apply rules in terms of safety; that is another whole area to explore someday. These wind turbines, the proposed eight, are about 500 feet in height, a little over 500 feet. There is nothing even close to it within 200 miles, anything like this, of this type of height at all. I remind the media here in Toronto that that is just slightly shorter than the TD tower in downtown Toronto.

Kevin asks,

“(1) As I've mentioned in the Legislature on several occasions, wpd Canada wants to build eight industrial wind turbines—500 feet in height—on agricultural land just west of Stayner and adjacent to the Collingwood Regional Airport. I know you”—referring to you, Minister—“are familiar with this project but do you understand the immense opposition to it?” That's the first question.

“(2) Minister, have you or your staff ever taken the time to visit the Collingwood area first-hand to see the impact that this proposed project will have on the community? These turbines are in the flight paths of aircraft that use the Collingwood Regional Airport, which is getting busier each year.

“(3) Is the minister aware that just this week,”—in fact, on Monday—“Collingwood was voted ... three out of 81 smaller communities in Canada in the Financial Post's annual ranking of the top entrepreneurial cities in Canada? By stifling the airport and development around it, do you believe that Collingwood can continue to attract the investment and innovation it's seen if these turbines are erected?

“(4) Minister, can you please clarify or confirm that the Green Energy Act contains adequate measures that

ensure application approvals are considered first and foremost based on what is best for the public interest?

“(5) I know this next question is technical in nature so” you may “want to get back to me on it”—in fact, I’d like you to get back to me with a thorough answer for each of these. “The Ontario Energy Board hearing held in December 2014 and requested by wpd Fairview Wind Inc., requested that the OEB determine the location of project distribution facilities on public rights of way. Minister, can you please comment on how a determination was arrived at by the OEB to approve this request when the requester was not in possession of a Hydro One impact and connection agreement, was not the legal corporate supplier in possession of the project FIT contract and therefore was not a distributor and supplier upon which the OEB based the decision?”

I thank you for your attention, Mr. Minister. I don’t know if you have any comments now or if you would just like to get back to me in writing.

Hon. Bob Chiarelli: I’ll do a little bit of both. First of all, I want to compliment you and congratulate you on your determination on this issue. I know you’ve raised it in the Legislature on a number of occasions and you are representing your constituents extremely well on this particular issue.

When this issue has come up in the Legislature, I have referred it to the Ministry of the Environment and Climate Change because the process to deal with this issue is in the Ministry of the Environment. The minister has explained, and we will try to incorporate his answer in our subsequent response to you, that the issues and regulations around the airport are federal issues and it’s not within our jurisdiction to comment or make any decisions in that regard with respect to the airport. I think you’ll recall that that’s the way he answered the specific question.

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To answer your first question, yes, I do understand the immense opposition to it, and I understand the rationale around the concerns. I’ve visited Collingwood on a number of occasions, usually for Liberal caucus meetings there, as you’re probably aware. It is a very dynamic, well-organized and well-managed community, and so I certainly respect where they’re coming from in that regard.

Your second question: “Have you or your staff ever taken the time to visit the Collingwood area first-hand to see the impact that this proposed project will have on the community? These turbines are in the flight paths of aircraft that use the Collingwood Regional Airport, which is getting busier each year.”

As I mentioned, I have visited Collingwood. I have not visited the airport, but I certainly can understand the question and the rationale around that question. I believe the research has been done by the Minister of the Environment in terms of the area of jurisdiction around that particular point.

Again, Collingwood is a tremendous community. I’m sure anybody who visits there and knows anything about

it will understand that the people in Collingwood can be very proud of it. I can also understand the importance of the airport, because it is a tourist area and there are a lot of people who are tourists by private airplanes or charter flights and so on and so forth. It’s a skiing area as well. So I appreciate what the risk is.

Maybe you can inform me what the status of the application is at this particular point in time. The file hasn’t been prompted with me most recently, and maybe when I finish chatting, you can tell me where they are in the process at this particular point in time. We can also check that out through the deputy minister with the Ministry of the Environment.

“Can you please clarify or confirm that the Green Energy Act contains adequate measures that ensure application approvals are considered first and foremost based on what is best for the public interest?”

As you know, there’s a process under the Green Energy Act, and I will say that this application is under the old process. We’ve taken the large renewable procurements out of the FIT program. We did very, very substantive consultation with stakeholders and municipalities etc., and it now is a competitive process, number one. Number two, it’s very, very difficult to be successful in any procurement for a large renewable procurement now without community engagement on the file and—

Mr. Jim Wilson: I have to give the rest of my time to Ms. Thompson, and I’m happy to do that.

On the federal issue: Just so you know, the Minister of the Environment and I are discussing this issue. In terms of the feds, Ontario is unique because the Green Energy Act took away the planning powers of local municipalities, so Transport Canada doesn’t intend to bring in a special regulation for Ontario to deal with somebody building 500-foot structures near an airport—because we’re such an anomaly. They leave that, in every other jurisdiction but Ontario, up to the municipal councils. No municipal council is going to put a 500-foot turbine on the flight paths and within the two-kilometre radius where pilots expect that if there’s fog or rain or they can’t see out the window, there will be nothing in their way within that two-kilometre radius as they approach an airport. That’s standard across North America. I just want you to know that the feds say, “We never thought any government would be crazy enough to allow this to happen.” They didn’t anticipate it, and they don’t want to change the reg just for Ontario. That’s the answer I get from Transport Canada, and that’s what I get from the deputy minister.

If you don’t mind, I’ll just give you a chance to do that in writing and give the floor to Ms. Thompson.

Hon. Bob Chiarelli: Maybe with a new Liberal government in Ottawa, we’ll be able to solve the problem.

Again, I appreciate your interest in the file and the representation for your constituents on that issue. We will look at it. We’ll also look at the legal issue more carefully as between jurisdiction and who can do what, and we’ll report back to the committee on that issue.

Mr. Jim Wilson: Thank you very much.

The Chair (Ms. Cheri DiNovo): Ms. Thompson.

Ms. Lisa M. Thompson: Thanks very much, Chair. I'm pleased to be here today. As you know, yesterday I drew attention in the House to a situation in my riding, particularly in the municipality of Bluewater where a part of an industrial wind turbine had been found on a neighbouring property. It was confirmed today in the London Free Press that NextEra Energy acknowledged that it did indeed shut down some of its turbines and warned landowners, after it was discovered a part of the spinning blade could fly off.

It's interesting NextEra then went on to say, Minister, that the potential problem was with a small thin piece of plastic. But I can confirm to you today, after looking at pictures, while it might be a quarter-inch thick, it ranges in width from 10 to 15 centimetres and as long as four feet. That's a significant piece of debris that has fallen off.

I just would like to ask you: What safety standards does the Ministry of Energy have in place for industrial wind turbines?

Hon. Bob Chiarelli: Thank you for the question. I recall the question being asked and I recall the answer that, again, it's the Ministry of the Environment that has the responsibility for it. But we will take it under advisement. I'm actually going to ask the deputy and the ADM to respond to it as well.

Mr. Serge Imbrogno: Yes, we can give you a bit more detail on our understanding of the issue and what's in place now. But as the minister said, it is an MOECC lead on setting the requirements, but we can give you a bit more information from our understanding.

Ms. Kaili Sermat-Harding: I guess what we can tell you is that all large wind energy projects are subject to the Ministry of the Environment and Climate Change renewable energy approval regulation, which requires them to maintain and operate the facility in accordance with good engineering practices and as recommended by equipment suppliers. Large turbines must also be located at a minimum distance from public roads and neighbouring properties and railways to ensure safety.

Project operators are also required to ensure that they meet all applicable requirements outlined in the approval that they get under the renewable energy approval process. If there are concerns, if the public has concerns, incidents to report, have any complaints that they would like to see addressed, they are really encouraged to contact the local office of the Ministry of the Environment and Climate Change and raise those issues at that field regional level. The Ministry of the Environment and Climate Change is committed to providing timely responses in looking into those issues when they're raised.

Ms. Lisa M. Thompson: Who oversees the safety standards, protocols and audits of nuclear generating stations?

Mr. Serge Imbrogno: The CNSC would have oversight on safety at nuclear stations in Ontario and across Canada.

Ms. Lisa M. Thompson: Fair enough. Very good. What about hydroelectric generation stations? Who oversees the safety standards, protocols and regular audits?

Mr. Serge Imbrogno: So OPG runs our large hydro projects. They would comply with standards that have been set. I think there are standards—good engineering and good operating practices—that they would have to comply with. They would be required by the OEB to maintain the sites. So I think there are standards that are generally applied.

Ms. Lisa M. Thompson: Who oversees safety standards, protocols and regular audits of natural gas plants.

Mr. Serge Imbrogno: Again, they have contracts in Ontario with the IESO. They would have to comply with those contracts. Part of those contracts would set out how they're run, how they're maintained, and again, it's general engineering principles that they would have to comply with.

Ms. Lisa M. Thompson: And, again, just to revisit industrial wind turbines, who oversees the safety standards, protocols and regular audits of industrial wind turbines?

Mr. Serge Imbrogno: I think that would be set out in the approvals that they receive from MOECC who would set out those safety standards and auditing requirements.

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Ms. Lisa M. Thompson: One would think, given the play that industrial wind has in the overall energy mix, that it might fall under IESO as well. I think there's room for improvement here, and I certainly look forward to working with the government in identifying how we can ensure this public safety, because this particular turbine—

The Chair (Ms. Cheri DiNovo): I would just remind the official opposition: five minutes left.

Ms. Lisa M. Thompson: Okay, thank you. This particular turbine was 70 metres off a public roadway. Young schoolchildren walk back and forth on that road, to and from school.

I think there's room to do better, and I hope we can work together in identifying how we can improve the safety standards. I think that up until now, a direct impact was not deemed a potential threat, but I can tell you the PC Party of Ontario has worried about this for a number of years. Reality has hit the proverbial road, so to speak.

In terms of industrial wind turbines as well, and in the spirit of climate change, when the turbines do not turn during our peak seasons, in summer and winter, they get backed up by natural gas. Can you explain to me, Minister, how industrial wind turbines backed up by natural gas will contribute to the reduction of greenhouse gas emissions?

Hon. Bob Chiarelli: I'm not sure I understand your question. I'll ask the deputy if he understands the question, and if he does, he can answer it.

Ms. Lisa M. Thompson: Okay.

Mr. Serge Imbrogno: We maintain our gas fleet and we run it as an intermediate fleet. So it's there for peaking or when we need to fill in some gaps.

But you'll see in our long-term energy plan that we have a forecast of GHG reductions. With the coal phase-out, we've had a massive reduction. Going forward with the refurbishment of our nuclear fleet, we're forecasting GHGs to be in the same band.

So we only run the gas plants as an intermediate supply when it's needed for peaking or to fill in the gaps.

Ms. Lisa M. Thompson: Do you anticipate that natural gas will be exempt from the cap and trade?

Mr. Serge Imbrogno: Those discussions are going on right now with MOECC and stakeholders. The plan is to put a price on carbon, so I think gas that produces carbon would be impacted, but exactly how is being discussed now with stakeholders in transportation and the energy sector across the province.

Ms. Lisa M. Thompson: Okay. And for the record, all of the relatively new gas plants are operated by OPG, correct?

Hon. Bob Chiarelli: No.

Ms. Lisa M. Thompson: No? Okay.

Mr. Serge Imbrogno: No—

Ms. Lisa M. Thompson: Thank you. Thanks for the clarification.

Mr. Serge Imbrogno: There are CE, clean energy, supply contracts that are some—OPG is a minor player. They have some joint venture with TransCanada Portland and another plant—I forget the name of it; I think it's Brighton Beach, in the Sarnia area. But most of the contracts are with private suppliers through the IESO.

Hon. Bob Chiarelli: In previous governments as well as our government, we have a procurement process for gas. The proponents would bid, and the successful proponent would get a power purchase contract. That's the nature of the relationship. So the price is set out in the contract and they operate the facility, and they get paid the contract price over the term of the contract.

Ms. Lisa M. Thompson: Okay. All right. Then, again in the spirit of climate change and cap and trade, in the coming months, when nuclear generators are being refurbished, your government has identified that you'll be importing hydroelectricity from Quebec to fill the gap, so to speak. Do you feel our transmission lines, our grids, are in good enough condition to facilitate that importing of electricity from Quebec?

Hon. Bob Chiarelli: No decision has been made to import power from Quebec for that particular purpose. We have a memorandum of understanding with Quebec to negotiate and discuss the possibility of filling the gap, from the units going down, with clean power. The overriding principle will be that it has to be at a price than what we can generate anyway in Ontario. So it provides an economic benefit as well as an environmental benefit. If it doesn't satisfy the economic benefit, we would not go forward. So they're looking at the possibility of that.

There is another agreement which is signed and will be implemented starting this fall, which is an exchange of power between Quebec and Ontario at our peak periods. We peak in the summertime in Ontario and they peak in

winter. So the idea, starting this winter, would be: Quebec cannot supply themselves with enough power for their customers in the winter, so they import—

The Chair (Ms. Cheri DiNovo): I'm afraid that's the end of the time for the official opposition. Thank you.

I just wanted to let you all know that the Jays are up one, bottom of the second.

We are on to Mr. Tabuns, third party.

Mr. Peter Tabuns: Good afternoon, everyone. My first question is just a follow-up to a question I've asked you, Mr. Imbrogno, about the use of the funds from the sale of Hydro One Brampton. I had asked if the \$600-plus million was going to go into the \$4-billion amount for infrastructure. You said that you'd have to check on that. I'm not sure if it's in addition to or if it's part of the existing \$4 billion. Can you confirm whether it is a part of it?

Mr. Serge Imbrogno: I'm still confirming with finance. I'll need to get back to you in the next session.

Mr. Peter Tabuns: I went through transcripts and I'm trying to put the structure of what you're doing clearly in my head. I'm going to go through some points. You may differ from me; I would like to know if you differ from me. You may agree with me—I'll be surprised—but nonetheless.

First, Hydro One would be diminished and its credit ratings damaged if it had to pay the departure tax without further funds coming from the provincial government before a sale. Mr. Imbrogno, you and I talked about the \$2.6 billion going to Hydro One and you said, "We would have an asset that's down \$2.6 billion" if the money was paid for departure tax without \$2.6 billion coming from the province. "It would potentially have issues with its credit rating metrics, and we're about to broaden the ownership. It's not a financially optimal place to be for us as a shareholder of Hydro One."

The value of Hydro One would be diminished if the \$2.6 billion wasn't transferred from the province into Hydro One. Is that correct?

Mr. Serge Imbrogno: Just to clarify, Hydro One would make that departure tax payment of \$2.6 billion. The province is recapitalizing it, in terms of getting equity out of Hydro One for the \$2.6 billion. That keeps its capital structure the same as before that transaction. I think what we're doing with that \$2.6-billion equity injection is just keeping it at the same level that it was at, so that there would be no change in its capital structure.

Mr. Peter Tabuns: So if you hadn't put in the funds, it would have affected its capital structure substantially.

Mr. Serge Imbrogno: It would have impacted the capital structure and potentially impacted credit rating agencies that would look at it and reassess.

Mr. Peter Tabuns: Okay. I think I understand that circle. We take money from the Ontario Financing Authority; we give it to Hydro One; they give it to the Ontario Electricity Financial Corp.; and they give it back to the Ontario Financing Authority. That's summarizing what I said to you yesterday, and you were comfortable with it at that time. You still are, I'm assuming?

Mr. Serge Imbrogno: Could you run through that again?

Mr. Peter Tabuns: Sure. The money goes from the Ontario Financing Authority, the government of Ontario—\$2.6 billion. It goes to Hydro One. Hydro One takes that money and pays it to the Ontario Electricity Financial Corp. and in turn, that money comes back to the Ontario Financing Authority.

Mr. Serge Imbrogno: In effect, with all the consolidation.

Mr. Peter Tabuns: Yes. Okay.

Mr. Serge Imbrogno: I think that's the important part: Everything is consolidated on the province's books, both Hydro One and OEFC.

Mr. Peter Tabuns: So the way I interpret all of those movements is that, effectively, Hydro One has its departure tax paid for by Ontario through a paper entry and the funds aren't used to pay down the Ontario Electricity Financial Corp.'s debt. The ratepayers and taxpayers still have to pay down that debt in the future.

Mr. Serge Imbrogno: I wouldn't characterize it that way. Hydro One makes a \$2.6-billion payment on departure tax. That is a payment in lieu of tax that goes into the OEFC.

Mr. Peter Tabuns: And does the OEFC use that to pay down its debt? Does it hold onto that money?

Mr. Serge Imbrogno: No, they use it to pay down—it's part of their revenues to offset their costs.

Mr. Peter Tabuns: Right.

Mr. Serge Imbrogno: So to the extent that their revenues are greater than their costs, that would pay down the stranded debt. It is a positive contribution to OEFC's revenues to pay down its obligations.

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Mr. Peter Tabuns: How is the Ontario Financing Authority made whole? I had understood from previous days that the money went to the OEFC and then circled straight back to the Ontario Financing Authority.

Mr. Serge Imbrogno: As I said, it's all consolidated. OFA manages the money for the OEFC, so in terms of the cash, it comes to the province through consolidation. OFA manages all the money for the province.

Hon. Bob Chiarelli: Consolidation of the books.

Mr. Serge Imbrogno: It's where you account for it in terms of—

Mr. Peter Tabuns: In effect, does the \$2.6 billion actually go to pay off any debts that are held by the OEFC? Or is the \$2.6 billion returned to the Ontario Financing Authority?

Mr. Serge Imbrogno: The \$2.6 billion is a benefit to the OEFC. On consolidation, it becomes a benefit to the province as well. It is to the ratepayers' benefit—getting the \$2.6 billion in departure tax payment.

Mr. Peter Tabuns: Does the \$2.6 billion actually flow out of the OEFC to retire bonds or other debt obligations?

Mr. Serge Imbrogno: It would retire obligations of the OEFC, which could be bonds or could be other debt.

It's all managed by the province on behalf of the OEFC, but to the benefit of the ratepayer.

Mr. Peter Tabuns: If the money is used to pay down debt to bodies outside of the provincial government, how will the Ontario Financing Authority be made whole? How does it get access to that \$2.6 billion in working capital that it's sent on this short voyage?

Mr. Serge Imbrogno: It depends on what obligations are being paid off. It is an accounting of both in terms of the benefit. I don't want to say cash is just cash, but it's really the net benefit that gets consolidated, and the paydown.

Mr. Peter Tabuns: Is there an actual reduction in bond debt or other debts held by the OEFC? Does the money flow out of the province to pay off someone who made a loan to us in the past?

Mr. Serge Imbrogno: It depends how the OFA wants to manage that. Some of that is back-to-back debt with the province and some of it is payables from the province to the OEFC, so it depends how they want to account for that and reduce—

Mr. Peter Tabuns: In the past, you've said to me that this is cash neutral for the OFA. It flows through Hydro One to the OEFC and comes back to the OFA. There's no—

Mr. Serge Imbrogno: Right, because the OFA manages all the money for the province. They're paying the \$2.6 billion, and the \$2.6 billion in cash is coming back—

Mr. Peter Tabuns: To them.

Mr. Serge Imbrogno: Then the important part is the accounting and who gets the benefit of that \$2.6 billion and whose obligations are reduced. What I'm saying is that \$2.6 billion goes to reduce the obligation of the ratepayers. It's to the benefit of the ratepayers. The complicating thing is, because you consolidate OEFC, it also shows up as a benefit to the province on consolidation.

Mr. Peter Tabuns: It shows up as a benefit to the province because—

Mr. Serge Imbrogno: As you pay down the stranded debt, everything gets consolidated, so—

Mr. Peter Tabuns: So this is—

Mr. Serge Imbrogno: This is not related to the Hydro One transaction; it's just the accounting of the OEFC.

Mr. Peter Tabuns: I'm particularly interested that Hydro One will have an asset, it will have prepaid taxes, it will have paid off old taxes—will that actually reduce the amount of debt that the OEFC is holding? Will it pay off a bondholder or a bank outside the province of Ontario's operations?

Mr. Serge Imbrogno: I'm saying it depends on how the OFA wants to manage that. However it does it, it's to the benefit of the ratepayer. There are certain debt obligations, there are certain payable obligations—some are cash, some aren't cash—so it depends how they want to work that through the system.

Mr. Peter Tabuns: So you're saying to me that the OEFC's payables and debts will be reduced after this \$2.6 billion makes its journey.

Mr. Serge Imbrogno: The \$2.6 billion will show up on the OEFC as revenue to offset some of its costs.

Mr. Peter Tabuns: How will the Ontario Financing Authority deal with the loss of \$2.6 billion from its working capital?

Mr. Serge Imbrogno: The cash is with the province; it's just the accounting of what payable you're going to reduce—

Mr. Peter Tabuns: So the accounting changes, but the cash remains the same.

Mr. Serge Imbrogno: Yes.

Mr. Peter Tabuns: It has just gone on a journey. Numerous books have been changed, but the cash comes back to the Ontario Financing Authority at the end of the day.

Mr. Serge Imbrogno: Yes.

Mr. Peter Tabuns: Okay. And the OEFC loses an asset in this, does it not? It loses a payable from Hydro One. Hydro One no longer owes it that departure tax.

Mr. Serge Imbrogno: I think the way I would describe it is that right now, Hydro One makes payments in lieu of taxes to the OEFC. Right now, the province dedicates net income above its financing to the OEFC on Hydro One. So to the extent that the province is broadening ownership and selling 15%, it would have 15% less of the PILs going forward and the net income going forward.

Mr. Peter Tabuns: But there won't be any PILs going forward. It will be corporate taxes in the future, will it not?

Mr. Serge Imbrogno: To the extent that finance makes a determination that those corporate payments should go to the OEFC or they keep them in the province, I think that's a policy decision that they'll need to consider.

Hon. Bob Chiarelli: I wonder if counsel has anything to add to that.

Ms. Sharon Geraghty: The only part I was listening to earlier was just to make sure that when you say that the—and I'm only reiterating what the deputy has already said, but the cash going around is cash neutral. The accounting and the impact on the OEFC—there's a real impact there.

Mr. Peter Tabuns: I have no doubt there are accounting entries. There is no question in my mind about accounting entries.

Ms. Sharon Geraghty: Right, but that has an impact for the benefit of the ratepayers, is what I want to make sure didn't get lost in that.

Mr. Peter Tabuns: I've observed that over the last few years, the payments that are made in cash from OPG and Hydro One to the OEFC, the cash that goes there, is returned to the province and, in turn, what's given to the OEFC is an IOU from the government saying, "We owe you this." So I don't see the debts being reduced; I do see an asset growing, which is an IOU from the provincial government.

Mr. Serge Imbrogno: The IOU you're talking about is the electricity sector dedicated income.

Mr. Peter Tabuns: Yes, that's right.

Mr. Serge Imbrogno: And that's the portion of their net income above the \$520-million dividend payment. That's not a cash item; they're dedicating that amount—that benefit. It isn't a cash item but it is, as you call it, an IOU—

Mr. Peter Tabuns: It's shown on their statements as a reduction in cash. It shows the revenue coming in, shows the reduction in cash—

Mr. Serge Imbrogno: It's not a cash item, but it is a payable from the province to the OEFC.

Mr. Peter Tabuns: That's right, but it doesn't actually ever go to pay off the debt; it just increases the amount of money that the government owes the OEFC.

Mr. Serge Imbrogno: That's why I'm saying there are certain obligations—the province can reduce its obligation to the OEFC if it receives certain payments.

Mr. Peter Tabuns: It reduces its obligation to itself. As you say, the books are consolidated, so it's just reducing its obligation to itself, is it not?

Mr. Serge Imbrogno: It's reducing the obligation to the ratepayer as it gets certain payments that are intended for the shareholder that it can put towards the stranded debt and to pay down that obligation.

Mr. Peter Tabuns: To me, it looks like there's a delay in the payment of the Hydro debt in order to redirect money over to the Trillium Trust; that, in fact, money that should be coming from the operation or sale of Hydro One, if you agree to sell it, is not actually being used to reduce the debt that Ontario and ratepayers owe, it's just being set off and funds are being diverted over to the Trillium Trust. Why is that not a reasonable assumption?

Mr. Serge Imbrogno: I believe the government has made a commitment to maintain the OEFC in the same position it would have been otherwise. I think there is a commitment.

Mr. Peter Tabuns: I know there's a commitment, but there doesn't seem to be cash.

Mr. Serge Imbrogno: Accounting versus cash—I think cash is one part of the equation, but the accounting is also—

Mr. Peter Tabuns: Yes. But when I look at the stranded debt and I see it coming down, the reduction is from the debt retirement charge off people's hydro bills. It isn't reduced by the actual revenue from OPG and Hydro One. All that does is build up the IOU that the Ontario government owes the OEFC.

Mr. Serge Imbrogno: But that's taken into account in the accounting of how much is left on the stranded debt and how much is left on the residual stranded debt.

DRC is one of the flows. The PILs are another flow. The dedicated income is another piece of the calculation of the stranded debt and the residual stranded debt.

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Mr. Peter Tabuns: Okay. I may come back to that in my next round.

How much time do I have left?

The Chair (Ms. Cheri DiNovo): Actually, just over five minutes.

Mr. Peter Tabuns: Excellent. I looked through your estimates briefing book and the list of achievements and goals, and I couldn't see any reference to adaptation to climate change. I'd like to know where things stand with your assessment of the resilience of the system with regard to climate change, what your plans are to deal with any vulnerabilities and what you're spending on it.

Mr. Serge Imbrogno: No, I think we have given a lot of attention to climate change adaption within the ministry and across the government.

Mr. Peter Tabuns: And where do I find it in your estimates briefing book and your list of accomplishments or goals?

Mr. Serge Imbrogno: I think it's a broad goal across not just the Ministry of Energy, it's a broad goal across the whole government. The Ministry of Energy participates in the working groups with MOECC and other ministries. We work with our agencies, so the IESO, Hydro One and OPG all have climate change adaption strategies. We work closely with our agencies to ensure that they have strategies in place, and then we also work closely with other ministries to ensure that we're part of a team looking at climate change adaption within and across the government.

Mr. Peter Tabuns: But you don't seem to mention it. I mean, if it's everybody's responsibility and nobody's responsibility, I want to know what you as the ministry are doing.

Minister, I know you want to speak to this. I'll just say in December 2013, I walked up to the 11th storey of a dark apartment building in my riding, talking to seniors who were stranded up there because the power was out. I didn't see afterwards any action on resilience. We've had knowledge since the late 1990s that ice storms were going to be an increasing threat to the reliability of the electricity system. I don't see this as a stated priority, with programs in place in your ministry to take it on. I've raised this with you, Minister, and previous ministers.

Hon. Bob Chiarelli: There have been very significant investments to improve reliability across the sector with all of the LDCs, including Hydro One as an LDC. Some of those are reflected even in increased rates, because there have been approved expenditures to do so.

We are working now on a climate change initiative, the cap-and-trade process. We have an internal working group among four ministries, which includes environment and climate change, energy, finance, and economic development and trade, working with the Premier's office and a number of expert consultants. They've had extensive consultations with stakeholder groups, which are ongoing, and they're looking at implementation—

Mr. Peter Tabuns: Of what?

Hon. Bob Chiarelli: Options of the cap-and-trade.

Mr. Peter Tabuns: No, I'm going to go back to adaptation. I'm interested in mitigation as well but, frankly, when the lights go out—

Hon. Bob Chiarelli: What I will do is read you a briefing note, if you don't mind.

Mr. Peter Tabuns: On?

Hon. Bob Chiarelli: It's called climate change adaptation.

Mr. Peter Tabuns: The title sounds good.

Hon. Bob Chiarelli: The title sounds good.

Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas emissions and provides cleaner air for this and future generations of Ontarians.

Our government, and in particular the electricity sector, is starting from a position of strength due to the investments we have made to eliminate coal-fired electricity generation and reduce emissions.

Replacing coal-fired electricity generation was the single largest climate change initiative undertaken in North America. Ontario is now completely coal-free. That is like taking seven million cars off Ontario's roads and is saving approximately \$4.4 billion in avoided costs—and those are health care and environmental costs.

Mr. Peter Tabuns: Could you skip down to the adaptation part? Because I know this part.

Hon. Bob Chiarelli: Altogether, 90% of the grid-connected power generated in Ontario during 2014 came from emissions-free sources of energy such as water, nuclear and renewables. This will help lessen impacts on the sector.

The ministry is working closely with its agencies to understand the activities and actions currently under way to complete, which will enable the provincial system to address the impacts of climate change, including the effects of severe weather.

In fall 2014, the ministry established a staff-level working group, the energy agency adaptation working group, called "the group," to ensure Ontario's energy policy continues to be responsive to the outcomes of energy sector research.

The ministry is also undertaking actions that add to the resiliency of Ontario's electricity system—

The Chair (Ms. Cheri DiNovo): I'm afraid, Mr. Tabuns, you are out of time.

Thank you, Minister.

We now move to the government side. Mr. Balkissoon.

Mr. Bas Balkissoon: Minister, it's good to see you here.

Since the Green Energy Act was implemented, my riding has been a great beneficiary of it. I have several industrial buildings where the entire roof is solar. Last year, we opened the first biomass facility at the Toronto Zoo, which is the heart of my riding.

Although these projects have gone well, I've had comments from the public and also from some of my city councillors, where the municipalities felt that, in the province implementing this act, they did not have enough sufficient opportunity to give input in the siting of some of these facilities. Listening to the media and the news all over, where projects were sited has been a bit of a concern to many local councils; that the municipality felt that the province did not give them the right tools and opportunities to participate.

Can you tell the committee where you intend on making changes to give municipalities, communities—

especially First Nations communities—more control over the siting of some of the next generation of renewable projects so that there would be a welcome project in those communities?

Hon. Bob Chiarelli: We made significant changes, and there are also changes under way. Of course, our priority is to build clean, reliable and affordable energy in a way that respects communities.

The Independent Electricity System Operator, the IESO, engaged with municipalities, First Nation leaders, community associations and others to get their feedback on large renewable procurement. Large renewable procurement was removed from the feed-in tariff, or FIT, program, and a different type of procurement and different requirements for being a successful proponent were put in place, which took into account the interest of municipalities, First Nations and others. Yes, there was a lot of concern. Mayors spoke, communities spoke, and we listened. As a result, we have empowered municipalities with a stronger voice in large renewable energy project siting, helping ensure that projects are developed in a way that respects communities.

For large, renewable projects, the Independent Electricity System Operator has developed a new bidding process in which projects that have the support of local communities will receive more points and therefore be given priority. Points are also provided to projects that have a First Nation or Métis community partner.

I will say that, under the new large procurement, there have been a number of proponents who have spoken to municipalities, and when it became clear that they were an unwilling municipality, the proponents walked away. There have been public announcements made by some of those proponents, and those cases are well known.

The feed-in tariff program continues to set aside capacity for projects with First Nation, Métis or municipal partners that have majority ownership.

Again, our government is committed to investing in renewable energy and doing so in a way that respects communities and gives them a stronger voice. The new LRP process takes local needs and considerations into account before contracts are offered. Proposals are given greater consideration and additional points in the LRP process if they have established local support for the project. The new LRP ensures that our approach is balanced and considers the views of local communities while ensuring the long-term sustainability of Ontario's electricity system.

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Engagement with municipalities and First Nations communities is a critical element in the LRP program. Just to be clear, there are a number of projects that are going through the process now that were large FIT projects. We have not awarded any under the new LRP procurement process; we expect to do that before the end of the year. We've seen a very, very significant level of engagement in the procurement process between the proponents and municipalities. We've introduced funding for small and medium-sized municipalities to create

municipal plans that incorporate energy into the local planning process.

These changes continue our commitment to clean energy while giving communities and municipalities a stronger voice, more control and new tools when it comes to renewable energy.

Our government also released an updated municipal guide to renewable energy development in Ontario entitled *Renewable Energy Development in Ontario: A Guide for Municipalities*. This municipal guide is available on the Ministry of Energy's website. The goal of this guide is to provide municipalities with a clear understanding of the renewable energy development process and their role in that process. My understanding is that that guide was sent with a covering letter to every municipality in the province of Ontario. I also understood it was going to be made available to MPPs. I don't know whether they've received it yet.

I will say that there has been a positive response from many rural municipalities, both for solar and wind projects. Oxford county council passed a unanimous resolution to support a 100% renewable energy policy. A municipality in MPP Hillier's riding—I think it's Lanark-Frontenac-Lennox and Addington—unanimously approved a wind project. Chatham-Kent has approved a wind project, and many large solar projects have municipal approvals in rural municipalities.

I'm not sure that it has too much significance, but I think it might be an indication—not including this one, but the two previous Association of Municipalities of Ontario conferences, at the accountability session when all of the ministers are on stage and any municipal councillor or mayor can ask questions, I think I had seven questions last year and seven or eight the previous year. This year, there was not one question from any municipality dealing with electricity, wind or solar of any nature or kind. I think it mirrors some of the positive action that municipalities see. Many of them are able to get community benefits from the proponents, and they're taking them up on it.

We also believe that when the winning proponents are announced, hopefully before the end of this year, we expect to see a very significant reduction in the cost particularly of wind. Both solar and wind have come down, but wind is expected to be very, very close to grid parity in terms of price.

So with those comments, I'd like to ask Deputy Minister Imbrogno and ADM Kaili Sermat-Harding to expand on my comments.

Mr. Serge Imbrogno: Thank you, Minister. Kaili will go through more details. I'll just say that in our 2013 long-term energy plan there was a focus on regional planning and a focus on engaging local communities, including First Nation and Métis. I think Kaili can walk you through some of the details on how we're putting that into practice through the LRP and other processes.

Ms. Kaili Sermat-Harding: Thank you, Minister, and thank you, Deputy. I guess, for the record, my name is Kaili Sermat-Harding. I'm assistant deputy minister of

the conservation and renewable energy division at the ministry. Thank you for the opportunity to provide more detail on some of the work that we have been doing over the last couple of years, really.

The Green Energy Act has made Ontario a North American leader in clean energy and it also introduced what was North America's most comprehensive feed-in tariff program at the time, stimulating the renewable energy economy in Ontario at an unprecedented rate.

In 2011, the ministry commenced a thorough review of the feed-in tariff program, hearing from thousands of Ontarians, including municipalities, aboriginal communities, industry and sector representatives, and environmental and consumer groups. Resulting from that review were recommendations that addressed the concerns that we were hearing, while continuing to encourage a strong renewable energy sector in the province. The recommendations included enhancing municipal engagement and clarification and strengthening of project siting rules to align with local land use priorities.

We recognize that there was an opportunity for local communities to play a greater role in the development of renewable energy across the province, and through that, we introduced a new priority points system that encouraged greater community and aboriginal community participation and also prioritized projects that could demonstrate municipal support. As a result, applicants that worked closely with communities and demonstrated that support received points during the application process, helping those particular projects to move forward.

A focus on local community and aboriginal projects also helps to ensure that projects are rooted in the community, and investment returns remain there.

As we shifted our focus to a competitive procurement process for large renewable energy projects, we have been able to build on the success of those changes to the FIT program. The minister asked the Independent Electricity System Operator to engage with municipalities, aboriginal communities, community associations and others to get their feedback on the design of the large renewable procurement program. As a result of that engagement, through that process, we have given local communities additional opportunities to participate in the development of renewable energy projects.

In 2013, the Minister of Energy directed the IESO to end the procurement of large projects under the FIT program and replace it with this new competitive process. The ministry's 2013 long-term energy plan outlined the principles, procurement targets and timelines to be incorporated into the development of this new program. These principles included engaging early and regularly with local and aboriginal communities.

The LRP is a competitive process, as the minister noted, and it was launched in 2014. It's open to onshore wind, solar, photovoltaic, bioenergy and water power projects generally larger than 500 kilowatts. The program has been designed to provide municipalities and aboriginal communities with a stronger voice and these additional opportunities to participate in the development of projects.

The elements of the LRP design are a result of the feedback provided by municipalities, aboriginal communities and stakeholders on the design of the program. Starting in 2013, the IESO used a number of mechanisms and outreach strategies to ensure that a broad range of stakeholders were engaged in the development of the program. This included regional community meetings in select areas of the province, webinars, individual meetings, discussion guides and presentations to the stakeholder advisory committee.

From December 2013 to February 2014, the IESO held two webinars and over 35 meetings with municipalities, First Nation and Métis communities, local distribution companies, industry and other stakeholders, as well as the general public. Regional community sessions that were open to the public were held in Orillia, Chatham-Kent, Napanee and Sudbury.

The IESO also hosted three First Nation meetings to which all Ontario First Nations were invited. These meetings were held in Chatham-Kent, Sudbury and Toronto in January 2014, and meetings were also held in Toronto with the Métis Nation of Ontario, the Historic Saugeen Métis and the Red Sky Métis Independent Nation. Overall, 22 First Nation and Métis communities participated in these engagement activities.

The IESO and the ministry also ensured that other government ministries involved with renewable energy policy were engaged in the discussions on the design of the program. These included the Ministries of Environment and Climate Change, Natural Resources and Forestry, Aboriginal Affairs, and Municipal Affairs and Housing, just to name a few. Over 850 groups and individuals participated in the engagement activities, and the IESO received over 65 submissions.

These engagement activities, held across the province, helped us to inform the design of the LRP program, ensuring that considerations regarding key issues such as project siting were clearly understood and considered when finalizing the program.

The program takes local needs and considerations into account before contracts are offered by ensuring that developers take certain steps to engage with municipalities, aboriginal and local communities early and often in the proposal and project development stages. The process includes an initial request for qualifications, to qualify applicants, followed by a request for proposals, to evaluate projects.

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The request for qualifications featured robust qualification criteria for developers, including a requirement to demonstrate previous community engagement experience, as well as experience planning, developing, financing and constructing previous energy facilities. The submission window for a request for qualifications applicants ran from July until September 2014, and after a careful review, the IESO announced on November 4, 2014, that 42 applicants were eligible or qualified through that RFQ process, making them eligible to submit proposals in the subsequent RFP stage.

The Chair (Ms. Cheri DiNovo): Just to let you know that there are about five minutes left.

Ms. Kaili Sermat-Harding: Okay. Regarding mandatory engagement and rated criteria, the RFP includes these requirements. As part of the requirements, all developers must conduct preliminary environmental investigations for the proposed sites. They must also draft a community engagement plan, hold at least one community information meeting and use best efforts to initiate at least one meeting with either municipal or First Nation representatives, depending upon where the project is proposed to be sited.

The RFP also includes a set of rated criteria, which are optional engagement measures that reward developers with points if they go above and beyond the mandatory or minimum level required for engagement. The higher the rated criteria score a proposal receives, the more likely it may be competitive for a contract. However, a low-rated criteria score does not necessarily mean that a project will not move forward.

Again, these engagement opportunities are intended to facilitate early relationship building between the developer and the municipality.

With respect to evaluation and selection of LRP proposals, projects are ultimately selected based on both their evaluated proposal price and the availability of capacity on the grid at their proposed connection point. The highest possible rated criteria score is 100. There is no minimum score required because the criteria are, in fact, optional. The scoring system is intended to promote the relationship building between the developer and local community and to provide additional opportunities for local needs and considerations to be raised with developers.

Generally, there are three rated criteria that a project may complete to gain points through engagement with the local community. The first is municipal council or First Nation support resolutions, so points will be awarded if the municipal council or First Nation provides evidence of support in the form of a support resolution; support from abutting landowners—developers are also encouraged to seek support from private property owners abutting the proposed project site and the proposed transmission distribution line through declarations of support; then municipal or First Nation agreements—municipalities and First Nations are encouraged to explore the possibility of entering into an agreement with developers to help clarify expectations, responsibilities and costs related to the renewable energy projects. The program is striving to ensure that our approach is balanced and considers the views of local communities while ensuring the long-term sustainability of Ontario's electricity system and value for the ratepayer.

Successful proponents in the first round of the LRP program are expected to be notified by the end of 2015. At the completion of this first large renewable procurement, or LRP 1, and prior to any subsequent LRP procurements, stakeholders, municipalities and aboriginal communities will be engaged to ensure that any learnings

and opportunities for improvement are taken into account for any future procurements.

Regarding engagement under the feed-in tariff program, it continues to set aside contract capacity for projects with aboriginal, municipal or co-operative partners that may have majority ownership. In fact, the current FIT procurement will see approximately 160 megawatts of capacity reserved for these types of partnership projects. This provides considerable opportunity for communities to participate in and benefit from renewable energy projects. As well, feed-in tariff projects with at least 15% economic participation for aboriginal communities, municipalities or co-operative partners are also eligible for price adders, which further encourage developers to partner with these groups.

Since the FIT program launched in 2009, the IESO has contracted hundreds of projects, which include participation by aboriginal communities, municipalities, public sector entities and co-operatives. Projects are located throughout Ontario with this wide variety of participants.

In conclusion, the ministry is committed to investing in renewable energy in a way that gives communities a stronger voice. As the minister noted, the ministry recently released an updated guide designed specifically for municipalities, and that is available on the ministry's website.

Lastly, Ontario is proud of the role that renewable energy is playing in the province's electricity supply mix and recognizes that local communities are key partners in helping the province remain a clean energy leader.

The Chair (Ms. Cheri DiNovo): You have 30 seconds left. Would you like to use them wisely? Okay, thank you.

We're going to take a five-minute break.

Just to let you know, it is still 0 for Kansas City and 1 for the Jays in the top of the fifth.

We'll be back here at 5:20.

The committee recessed from 1715 to 1720.

The Chair (Ms. Cheri DiNovo): Ladies and gentlemen, we're back. It is time for the official opposition. You have 20 minutes. Mr. Smith?

Mr. Todd Smith: I would like to just follow up on where Ms. Sermat-Harding was speaking about the new competitive process that the province is operating under, when it comes to renewable energy projects going forward, and the engagement process that is now occurring with municipal councils across the province.

I come from Prince Edward-Hastings. Of course, you know well, Minister, that Prince Edward county is one of those unwilling hosts in Ontario, and there are 80-some unwilling host communities. Yet decisions that were made prior to this new formula coming into effect are still negatively impacted by the decisions that were made.

I asked one of your predecessors about this, back a few years ago—Mr. Bentley, when he was the Minister of Energy—why renewable energy projects that the municipalities were so firmly against, like Prince Edward county and the wind turbine project that is proposed for the south shore there, were approved and why green

renewable energy projects in other parts of—even my riding—that had full community support, those proposals gathered dust on a shelf?

For instance, the Marmora pumped storage power project—I believe you're familiar with it; I've asked a number of questions about that—

Hon. Bob Chiarelli: I visited it.

Mr. Todd Smith: You have been there?

Hon. Bob Chiarelli: Yes.

Mr. Todd Smith: Okay. It's beautiful. It actually is a beautiful site, and it has the full support of the municipal council. It has the full support of the Eastern Ontario Wardens' Caucus, and the vast majority of community members are very, very interested in seeing that pumped storage project at the old Marmora mine site go ahead.

I was just wondering, since you have been there and you're familiar with the project, whether or not that project—which is in a willing host community—is that something that the government is looking at? I know storage is included in your long-term energy plan.

Hon. Bob Chiarelli: I'll comment on that briefly, and then I'll pass it on to the deputy or the ADM.

First of all, it was a very, very impressive site. The principle around using that site as pumped storage—which is a very, very good type of electricity—makes a lot of sense. Technically it will work etc.

We've had a number of meetings and discussions with the proponent. I believe they are still working on a solution with some potential joint venture partners, and I think that's good. My understanding of the issue is that they can't get the price down to where it's competitive with other dams or gas or whatever. So the issue is, do you pay them a bonus on the price of power?

I know that a lot of people who have looked at wind and solar have said, "You know what? For a lot of reasons, including price, it shouldn't be done."

In this case, I think one of the biggest issues is the question of the price that they would have to get for the power to build the project. It's not dead; they are looking at technical ways to deal with the issue.

There are other really appropriate uses around the site—it's a spectacular site—so that would be my comment at this particular point. I know that the ministry would have other comments, maybe from a technical point of view.

Mr. Serge Imbrogno: Yes, I'll just add to what the minister is saying. We do have pumped storage at the Beck facility, with OPG. That's already in existence and already being utilized.

It's a major capital investment to build a new pumped storage facility, so that would be factored into the costs they would need to recover in a long-term contract. There have been discussions with the IESO on a potential contract. Those are obviously commercially confidential, but I think at this point they haven't come in at a price point that is competitive with alternatives.

I think it has a lot to do with that big capital investment and the fact that we already have pumped storage at the Beck facility with OPG.

Mr. Todd Smith: While we're on the topic of local projects here, there's a biomass facility, and I'm not sure if you're aware, with a proposal—County Power is the name of the company, if I remember correctly, from the Bancroft area. The forest industry there is a huge employer in North Hastings. They had proposed a biomass facility that had the support of the community. There was a district heating component as well—kilo would be included. This was the type of green renewable energy project, unlike some others that the government has gone ahead with, that would see full-time jobs and it would sustain a lot of the jobs that are in the community. You know the situation that the forest industry is in right now. A lot of the mills have closed down.

I'm just wondering if you had any kind of an update that you could share with us on expanding biomass and whether Bancroft might be considered in that new fleet of biomass facilities—if there's any talk of such a thing.

Hon. Bob Chiarelli: First of all, we're not familiar with that specific application. I'm more than willing to check with my staff and with the ministry to track where it is and see what the issues are around it. There are opportunities in the energy sector for generation from wood products, and we're very, very interested in moving in that direction.

Sometimes it's an issue of no available transmission or not sufficient transmission. Sometimes, again, the power price purchase contract would have to be too high to justify it moving forward.

I'd be more than happy to look into it and get back to you outside the committee or in the committee.

Mr. Todd Smith: I appreciate that.

Deputy Minister?

Mr. Serge Imbrogno: Biomass is an eligible resource under our FIT program, so there is a program in place. As the minister said, there are other factors. It could be a transmission connection that doesn't work for that particular area. We can pursue that and give you more detail on that if that's—

Mr. Todd Smith: Sure. I had those discussions with your predecessor, and I would have hoped that that information would have been passed along, but I'm happy to discuss this with you further as well. The reason for that is because I come from a riding that has such huge opposition to wind turbines that are being imposed on them, on the south shore of Prince Edward county. Transmission has to be built there. They're a long way from where the power is needed, which is mostly here in the GTHA; the transmission is going to have to be built.

These two projects that I just mentioned—the Marmora pumped storage and the biomass facility—could be used for peaking. They would be much more responsive than the wind and solar projects that are being pushed onto Prince Edward county are. It just seems to me that if you're going to move ahead with these renewable projects, it would make more sense to go in the communities that want them. I believe it was Ms. Sermat-Harding who mentioned that there are a growing number of willing host communities out there for these

types of projects. Prince Edward county isn't one of them. Prince Edward county is probably one of the loudest at stomping their feet and making it clear to the government that they don't want these.

One that's being proposed in Prince Edward county is the Ostrander Point project, and you are probably aware of it. It's a nine-turbine project planned for crown land in Prince Edward county, so it's not even as if there's a local landowner who's going to benefit from having turbines on his property. This is crown land. No one is benefiting from this, and everyone is against it. So while this new process has come into effect, it's too late for Prince Edward county, and I can't understand why the government—and maybe you can explain it to me—hasn't backed away from that particular project.

Hon. Bob Chiarelli: We'd have to look at the particular circumstances.

First of all, I would appreciate, when any of these issues come up, that you would bring them to our attention. I know your colleague MPP Yakabuski has done that with us on a number of occasions, and we've responded. As a matter of fact, at his invitation, we visited Renfrew just about three or four weeks ago. Ensyn is a company that uses wood or forestry by-products or waste to—they have a special patent for what's called renewable oil, and they have a number of derivative products that come out of that. They're marketing it internationally etc. They're looking to expand. We're introducing them to the Eastern Ontario Development Corp. so that they can build a second plant to accommodate the need.

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We're very willing to move into areas that deal with forestry products, whether it's biomass or whether it's for this renewable oil product. We're very hopeful that we can help that particular company, so anything that you bring to the table, bring to our attention, we'll follow up on.

Mr. Todd Smith: Sure. I brought the Prince Edward county issue up many, many times, as you probably know—the fact that they are an unwilling host community and these projects are being thrust upon them in spite of huge opposition from the council and the chambers of commerce. Every community group out there has opposed these things. Even our local MP elect, the former mayor of Belleville, Neil Ellis, who is our new Liberal MP, has come out during the election campaign and said, "This is the wrong place to be putting these projects."

You can understand the frustration in this community. Everyone has been coming out opposed to these projects, but it seems like the government isn't listening.

Prince Edward county is one of the top tourist destinations in Ontario now. It has been promoted in every Yours to Discover Ontario TV commercial four or five different times. This is really important, and I would love to see the Minister of Energy or the government say, "We made a mistake here. Let's look at a host community that's willing." I mean, it has happened with gas plants in the past; why aren't we looking at communities that are willing hosts?

Hon. Bob Chiarelli: I was appointed Minister of Energy, and one of the first things we did was the long-term energy plan indicating that we wanted to go into a large renewable procurement. You will know that we have done no large renewable procurements since then. We reviewed extensively, particularly with AMO. AMO was onside with the new process. We're just going to be announcing projects, hopefully before the end of this year, under that process.

We took the time to consult with municipalities and with the stakeholders very extensively. There are still a number of wind and solar projects in production from the old large FIT project. So this has been a change. I know we've had the debate in the Legislature, "Should we cancel contracts or not cancel contracts" etc., and I think you know what our position is on that.

But I'm going to ask the deputy or the ADM if they have any further comments.

Mr. Serge Imbrogno: I would just say that the minister laid out the LRP process, that we did consult. I think on the existing contracts, they are contracts that would have to be—well, we have an issue if we cancel contracts, obviously. These are valid contracts that are in place. The IESO has said that they will monitor those contracts to make sure that they comply. If they're off-side, the IESO has said that they will terminate contracts that are not meeting their contract obligations. So that's in place, but as long as the contracts are valid and in place, then they would continue.

The Chair (Ms. Cheri DiNovo): Ms. Thompson.

Ms. Lisa M. Thompson: If I may, two things: You just mentioned that IESO looks over the contracts for these industrial wind turbines. So then, by extension, it would make perfect sense that if they're reviewing contracts, perhaps they should be the impartial third party that reviews safety standards and facilitates the safety audits in the future. I'm just throwing it out there for consideration.

Minister, you talked about announcing more projects by the end of the year. I'm wondering specifically why the government of the day is looking to possibly change the setbacks. In the EBR, in the proposed amendments to Ontario regulation 359/09, specifically, there are changes proposed to the classification of wind facilities and the application of the 550-metre setback. Just—

The Chair (Ms. Cheri DiNovo): Just to let you know, you have about five minutes left.

Ms. Lisa M. Thompson: Okay. I can tell you that taxpayers across this province are worried that this proposed change that was registered on the EBR will possibly lead to turbines being closer to receptors than 550 metres. Can you explain what the intent is on that proposed amendment?

Hon. Bob Chiarelli: Deputy?

Ms. Kailli Sermat-Harding: I think we really do need to defer to the Ministry of the Environment and Climate Change on the posting and the rationale behind that.

Ms. Lisa M. Thompson: But your ministry is looking to announce the approval of new projects by the end of

the year, which I feel, if you put all the pieces of the puzzle together, could possibly be positively impacted by this proposed change. I don't understand why your ministry can't comment on why you would like to change the 550-metre setback, especially in light of the fact that direct impacts are happening with pieces flying off turbines at this time.

Mr. Serge Imbrogno: I think what we're saying is it's an MOECC regulation. I think we would have to consult with MOECC and ask them for their rationale, because it's not our regulation; it's an MOECC proposed regulation.

Ms. Lisa M. Thompson: So you've never discussed the merits of this proposed amendment change?

Ms. Kaili Sermat-Harding: It has been posted. I think we just have to come back on the change of receptor, because it is a fairly technical point. Again, the minimum setback, to my knowledge, is not being changed, but it may be in relation to changes to receptors. I just at this point don't have more technical—

Ms. Lisa M. Thompson: And receptors very much—

Hon. Bob Chiarelli: We could forward the question to the Ministry of the Environment and ask them to respond specifically to that.

Ms. Lisa M. Thompson: I'd really appreciate that, Minister. Thank you. A lot of people are wondering why this change has been proposed. Thank you for that.

In terms of your long-term energy plan, do you have a scheduled review period planned for it?

Hon. Bob Chiarelli: We have indicated that in the not-too-distant future, we'll start a new consultation on the next version, the updated version of the long-term energy plan. Deputy, I don't know if you can give an any more specific time frame on it.

Mr. Serge Imbrogno: We normally review—every three years there will be a new plan, so if we stay with that same period, it will be 2016, early 2017. I think with the 2013 long-term energy plan, we did an extensive consultation process with local communities, stakeholders, First Nations, Métis. We would replicate that and probably expand that. We're looking at what worked in the past. We had technical briefings and technical reports that we put out, so we would replicate a lot of that and expand that. We want to do more of that engagement with local communities and then start that early in the process towards a revised LEP in 2016, early 2017.

Ms. Lisa M. Thompson: Okay. I think that's it.

Mr. Todd Smith: Just back to Prince Edward county again and the south shore of Prince Edward county, if I could: The wind turbine project that's planned for Ostrander Point—as I mentioned, it's on crown land, so there's no—

Hon. Bob Chiarelli: Is that under the FIT program or under the new—

Mr. Todd Smith: This is the previous program, the FIT program. This was approved before your time. I'm not blaming this on you; I'm blaming it on your predecessors.

Hon. Bob Chiarelli: I wear it all anyway.

Mr. Todd Smith: Yes, you have broad shoulders. You had to, to take on this portfolio.

The project—how much time do we have?

The Chair (Ms. Cheri DiNovo): One minute.

Mr. Todd Smith: It's an internationally recognized important bird area. There are historical acts—cultural—

Ms. Lisa M. Thompson: Natural heritage.

Mr. Todd Smith: Natural heritage act—thank you very much—concerns with this project as well. There are endangered species issues in the area that have been backed up by experts with the Ministry of Natural Resources. There are a million reasons to reject this project. I'm just curious as to why this project would get the green light.

Hon. Bob Chiarelli: Where is it in the process? I'm assuming that they're going through the environmental part of the process, from which there is an appeal process—

Mr. Todd Smith: Yes, and they've appealed and they won their appeal.

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Hon. Bob Chiarelli: There was one that was successful about 10 or 12 months ago.

Mr. Todd Smith: That's this one, yet the ministry is continuing to go against the ruling of their own tribunal, their own Environmental Review Tribunal.

The Chair (Ms. Cheri DiNovo): I'm afraid your time is up. We move on to the third party. It's the bottom of the sixth and it's still 1-0 for the Jays. Mr. Tabuns.

Mr. Peter Tabuns: Thank you for the update, Chair.

Minister, thanks for giving me that document to look at. In 2011, the government came up with Climate Ready: Ontario's Adaptation Strategy and Action Plan. One of the actions was to have departments like yours do a vulnerability assessment. Has a vulnerability assessment been done? It's been four years.

Mr. Serge Imbrogno: As the minister said, we set up the ADM working committee. We have been working with our agencies to ensure that they have plans in place, so the IESO has a requirement that people provide emergency assessment plans. Hydro One has done similar work; OPG has done similar work. I think through our agencies, those requirements are in place.

Mr. Peter Tabuns: It's been four years and you've told me that you're talking to the agencies. Do you have vulnerability assessments in place for each of those agencies so that we know what our risks are with regard to the electricity operating system?

Mr. Serge Imbrogno: What I'm saying is they would have their plans in place. The IESO would have a requirement that everyone prepares an emergency preparedness plan. Those plans are in place.

Mr. Peter Tabuns: I'm not talking about an emergency preparedness plan. I'm talking about a plan—

Mr. Serge Imbrogno: Well, for extreme weather—

Mr. Peter Tabuns: Yes.

Mr. Serge Imbrogno: Extreme weather plans are in place through our agencies.

Mr. Peter Tabuns: Have you done a vulnerability assessment?

Mr. Serge Imbrogno: You might call it a vulnerability assessment. I'm saying that what we've put in place are extreme weather—

Mr. Peter Tabuns: I'm using your government plan's terms. The government of Ontario has a plan. It's called Climate Ready: Ontario's Adaptation Strategy and Action Plan. Have you, using their term, done a vulnerability assessment?

Hon. Bob Chiarelli: There's a very, very strong consensus across North America through the continental organizations that are in place, particularly after Hurricane Sandy and a few other events. They have identified the two most significant risk factors in the electricity sector. One is cyber-security and the other is weather events. I know that all of the utilities—the LDCs, OPG etc.—are going through processes to try to tighten that up, reviewing their codes in terms of their infrastructure. I've attended meetings with them where they've indicated that they're reviewing their infrastructure requirements for future installations so that they will better protect themselves, first for cyber-security and also for weather events. I know that Toronto Hydro is doing it. Hydro One is looking at it.

To tell you right now that there is a one comprehensive place where all of this has been assembled that we can give to you, we probably can't. We can refer you to or try to get an update from them to consolidate it, but we know they're on the file.

Mr. Peter Tabuns: Then I would ask that you present the vulnerability assessments that have been done by the major components of the electricity system to see whether or not you're in compliance with the action plan that your government adopted four years ago. That's my first request. I gather that you don't have a problem doing that.

Mr. Serge Imbrogno: I don't want to promise you something—we might have a different terminology of what you're asking for and in the context of what the government said it would do across ministries versus what we, as the Ministry of Energy, are doing with our agencies. I don't want to mix agency action plans for extreme weather with what the government is doing in general related to climate adaptation. I don't want to mix these things up.

But I think what we can get you is what the OEB requires of the LDCs in terms of when they submit their rate applications, what they allow for extreme weather events and adapting to climate change, what the OPG is doing to address extreme weather conditions and climate change and what Hydro One is doing.

Mr. Peter Tabuns: I'd like you to table them. I don't believe you're in compliance with your own plan. I'd like to see what the evidence is. When I ask these questions, I get the response that we're getting ready for emergency response, which is how the Premier responded to the ice storm in 2013.

I think it's a good idea to have an emergency response plan, but I think it's even better to have a plan in place

beforehand that has identified the vulnerabilities and taken them on and addressed them. So I would like to see if you are in compliance with the government's plan. If you could provide those documents, I would appreciate that.

Action 2 of the government's climate change plan was to "report on adaptation actions." When I go through your estimates, I can't find any reference to it at all, unless I have missed it. Can you point out where you're reporting on adaptation actions in your achievements and in your plans?

Mr. Serge Imbrogno: Through the Ministry of Energy, we're working with our agencies that are the—

Mr. Peter Tabuns: You don't even say that in your estimates.

Mr. Serge Imbrogno: Well, the estimates is really identifying where we spend dollars. We don't spend direct dollars; we do a lot of the work through the agencies and make sure that they have their plans in place and actions in place. So, through the Ministry of Energy, unlike maybe other ministries that have different plans in place, we have the agencies that are really charged with taking action to ensure that they have plans in place.

Mr. Peter Tabuns: And you talk about this in here. You talk about conservation plans and about the LDCs implementing conservation plans. You talk about Green Button. You talk about a lot. This is a very significant factor.

It's been a long week for everybody. I don't mean to be cranky at the end, but I have to tell you, that when I dealt with a large population of people with no heat and no light in December, knowing that this government and others have been aware of this problem for well over a decade and not seeing action to deal with the vulnerabilities, it made me extraordinarily upset at the time, and people were extremely angry at me as I walked down the street: "What are you going to do about this? How did this happen?" They were right to be angry.

In 2014, in the fall, you set up a working group. What has the working group done? Is there a report available one year later on what the working group on adaptation has done? Is there?

Mr. Serge Imbrogno: The key deliverable of the working group is working with our agencies that are the ones that are actually delivering on ensuring they have plans in place, taking steps to address the issues you have talked about.

Mr. Peter Tabuns: And how do you, as Minister and Deputy Minister, know that they are actually doing something? Have they sent you a report at any point saying, "This is what we're doing, this is who we're doing it with, this is what we see as the outcome"?

Mr. Serge Imbrogno: Well, we're aware that they have their plans in place. We're aware that they have taken steps to address the issue. Hydro One was part of the issue, and Toronto as well. So there were reports on that. The IESO: One of their main responsibilities is to ensure that we have a reliable and resilient grid, so they're taking actions on that.

I think what we're saying is that we have charged our agencies to ensure that they have plans in place.

Mr. Peter Tabuns: And have you followed up to make sure the plans are there, and that they're adequate? Can you assure people here that we wouldn't see a repeat of what happened in December 2013 or, frankly, in July 2013, when a major transformer station was flooded out in the west end of the GTA? Have those issues been addressed?

Mr. Serge Imbrogno: We can't assure anyone specifically of a particular weather event. I think what we can do is assure people that we have taken steps to address those issues through the IESO, in terms of the bulk system, through LDCs, through OEB requirements and through our agencies: Both Hydro One and OPG have taken actions.

Mr. Peter Tabuns: And can you give us a list or statement of the actions that have been taken to ensure, as best as is possible, continuity of electricity supply in extreme weather events?

Mr. Serge Imbrogno: We can document what each of the agencies has put forward and what the requirements are that they impose through regulation.

Mr. Peter Tabuns: Well, that would be an advance. If you could document that and table it with this committee for circulation to all the members, that would be appreciated. Will you undertake that?

Mr. Serge Imbrogno: I will undertake to provide that information; I believe it's publically available—

Mr. Bob Delaney: Chair, is the member asking, through the committee, for the ministry to table a document? Other than an answer to a question, if the member is asking for a document to be tabled with the committee, we may need to do that in the form of a motion.

Mr. Peter Tabuns: Mr. Delaney, I've been requesting backup from the minister for a number of days now, and this is the first time you've jumped in. What's piqued your curiosity?

The Chair (Ms. Cheri DiNovo): Actually, it's part of the process of asking questions in estimates to ask for information, so I'll let that go.

Continue, please, Deputy Minister.

Mr. Serge Imbrogno: I think my response is that I would provide on the IESO website what's publicly available on the OEB website. This information is in the public domain. To the extent that you want me to table that, I can table that information.

Mr. Peter Tabuns: If you table what you've done—

Hon. Bob Chiarelli: It's a fair question. We know that things are happening in that area with the agencies etc., obviously, not only from this most recent event or the couple of recent events—the flood and then the ice storm etc. We know that there are people actively working on it in the agencies. We'll try to get the best information for you that indicates specifically what they're doing.

Mr. Peter Tabuns: That's a reasonable response. Thank you. Can I ask, when you're doing your assessment of vulnerability, what level of warming are you planning for? What standard are you aiming for?

Hon. Bob Chiarelli: Do you mean climate change-related issues?

Mr. Peter Tabuns: Yes. When you're looking at a change in the climate, are you expecting that the climate will warm four degrees more, and are you planning for that? Are you planning for one-degree warming or two-degree warming?

Mr. Serge Imbrogno: I don't have that answer. I think that each of the agencies would have certain assumptions or—

Hon. Bob Chiarelli: I think the best answer would come from the Ministry of the Environment and Climate Change. They're looking at that in very significant detail.

Mr. Peter Tabuns: I imagine they would. What I'd like to know is, given that you are the people who oversee the operation of the electricity system, what numbers are you working from? What scenarios are you working from?

Hon. Bob Chiarelli: There are certain things that are works-in-progress. I would say that's a work-in-progress. We know that the Minister of the Environment has indicated what some of the science is saying with respect to that. He's in the process of creating the climate change policy response on behalf of the government, working with other agencies. He'd be the spokesperson on that.

Mr. Peter Tabuns: A fair enough response, Minister, although I'll just say that if you don't know what scenario you're working to, it's very hard to assess what your vulnerability is, and it's very hard to know what you actually have to do. If the water is going to rise 50 feet, it's very different from the water rising 10 feet. I look forward to getting that documentation.

I have another line of questioning on demand. Last year, Barclays bank downgraded credit ratings for electricity companies across the USA because of potential competition with solar panels and battery storage. Have you done an assessment of the risk of demand drop in Ontario from the large-scale adaptation of solar and battery storage?

Mr. Serge Imbrogno: I think in our long-term energy plan, we identify that there has been a structural change—

The Chair (Ms. Cheri DiNovo): I'm sorry. It looks like there is about to be a vote in the House. We will have to adjourn until next Tuesday morning.

Mr. Peter Tabuns: Thank you.

The Chair (Ms. Cheri DiNovo): Thank you very much, all. And it's still 1-0 at the bottom of the sixth.

The committee adjourned at 1754.

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